Plaintiff's Exhibit 432

4895 STATE SECTIONS

(Emblem)

Oregon State Medical Society — Annual Meeting Gearhart, Sept. 26-28, 1946

(Opinions, Views or Comments presented in articles appearing in this section are those of the individual authors and are not necessarily those of Oregon State Medical Society.

OREGON DOCTORS REQUEST CHANGE IN REGULATIONS

At the recent meeting of the House of Delegates of the American Medical Association an event transpired which should not be overlooked or minimized despite the fact that nothing immediately happened as far as has been ascertained at this writing.

The noteworthy incident occurred when Dr. Frank R. Mount, delegate from Oregon, acting upon instructions received from his own House of Delegates, introduced a resolution calling for a radical alteration in the provision of the American College of Surgeons and other similar bodies dealing with approval of hospitals which requires monthly hospital staff meetings as a condition of attaining and retaining such approval. The resolution, as passed by the delegates of Oregon State Medical Society, called for quarterly meetings only.

For many years an increasing number of Oregon doctors, particularly in Multnomah county, have sensed that a great falling off in activities of and attendance at county medical meetings stemmed directly from the prevalence of medical meetings well beyond the *ad saturatum* point. Particularly have they become increasingly irked at hospital staff meetings because of their competitive nature and the compulsion inherent in them.

It remained for Dr. Blair Holcomb, disturbed by the problems confronting him as president of Multnomah County Medical Society, to take the issue in hand for more than academic discussion, and, aided by willing colleagues, to introduce a pertinent resolution in the Oregon house of delegates. It is greatly significant that the doctors of the state, in formal session, passed the resolution *without a single dissenting vote.* Dr. Mount has now carried the request for revision to the national field, where it will either

be buried and forgotten, or in due time lead to a strengthening of doctors' own organizations and their own activities.

Considerable of past and current criticism of medicine has resulted from our tendency to cling to established procedures and customs which many laymen and physicians think may be somewhat less than strictly modern or may have outlived their usefulness. Oregon doctors by their present action have indicated a willingness to look one "sacred cow" squarely in the eyes in order to determine values. This departure from long standing medical inertia is in keeping with the pioneer Oregon spirit, and might well be extended to other phases of or factors affecting medical practice. A series of analytical discussions or articles touching upon several of these is contemplated for appearance in this section at frequent intervals during the coming year.

G. B. Leitch.

IT'S GEARHART IN 1946

The council of the Oregon State Medical Society decided at its November meeting that the 1946 annual meeting will be held at Gearhart.

Tentative proposals call for a full general business and scientific session lasting three days, to be held during the week of September 22, with the week-end the most probable time. Present plans indicate the convention will be held at the Gearhart Hotel which will be devoted exclusively to this purpose during the dates of the meetings. Scientific sessions and exhibits will be as all inclusive as possible in this first postwar gathering, and in addition the house of delegates will hold a series of meetings as necessary to dispose of the society's business matters.

Exact dates of the meeting will be announced shortly after the first of the new year.

INSURANCE COMPANIES IGNORE MEDICAL "SEARCH" FEE

Life insurance companies doing business in Oregon apparently do not regard highly either the business sagacity, if any, of the medical profession in Oregon or its efforts to safeguard itself from exploitation, if recent practices are any indication.

Many companies continue to send to doctors requests for information on patients in order to establish the na-

ture of their risk, with a voucher for $1 or $2 attached to the written request, despite the fact that in 1938 the Oregon State Medical Society notified all companies the *minimum* fee for information requiring search of records is $3.

At least one company has adopted the practice of enclosing $1 in cash with its request, no doubt on the assumption most doctors cannot resist a dollar in hand even if it does mean selling themselves down the river.

Another company apparently has a different flank approach to the problem of paying a legitimate fee for information required to establish risk. The instructions is included on its examiner's report that, if information is needed from applicant's medical adviser, *a telephone communication recorded by the Examiner under "Additional Remarks" would be acceptable.* Very acceptable, 4896 no doubt.

Physicians falling for the telephone approach should realize they forfeit their legal position, if they divulge information without the patient's written consent reposing in their files, entirely aside from the point that in the matter of receiving a just fee for search of their records they may be thrown for a total loss, as this detail may be easily "overlooked" without recourse.

The path of legal and business safety suggests all such requests be refused and the questioner be instructed to address a written communication to the doctor concerned with authorization for the required fee accompanying same.

O.P.S. READIES NEW CONTRACTS

At a special meeting in November, directors of Oregon Physicians' Service approved details of the new contracts for family hospitalization and limited surgical, obstetrical and fracture care, drafted following authorization received from the House of Delegates covering these extensions of the present service.

The new contracts will be offered only in those portions of the state where local medical societies specifically request that they be offered, thus preserving the feature of local autonomy which is inherent in the doctor sponsored prepayment medical plan.

Plaintiff's Exhibit 433

4897 • • • • •

O.P.S. FAMILY COVERAGE PLANS INAUGURATED

With announcement of the addition of Multnomah county to the growing list of counties now offering O.P.S. family hospitalization and partial coverage medical contracts, the state is well on the way toward attaining the saturation point desired to make a political scheme of centralized medicine totally unnecessary.

Counties, which previously authorized offering of the family extension of services, are Jackson, Douglas, Clatsop, Tillamook and Yamhill. The plan became effective in Multnomah, Oregon's most populous county, on March 1. Requests from other counties for information from O.P.S. are being serviced as rapidly as possible.

Family coverage is available only on authorization by the local county medical societies, and is available only to spouses and children of employees already covered by an O.P.S. contract.

Studied for three years by O.P.S. and authorized in 1945 by the House of Delegates, the extended coverage is a step undertaken by organized medicine to provide adequate medical and hospital attention on a prepaid basis. Specifically, the new addition to the O.P.S. contract portfolio provides $60 for hospitalization and $50 for medical expense in obstetric cases, all medical bills for fractures and dislocations, full hospital cost for 21 days and 50 per cent for an additional 90 days for each particular dis-
4898 ability (excluding diseases requiring quarantine), and general medical expense, with certain limitations.

The plan offers, in effect, almost complete coverage for a family of five for $7.10 a month, in comparison with other medical-hospital plans now in operation which range from $11 to $15 for similar service.

Among major points which Oregon doctors should understand are the following. The contract with O.P.S. is *not* for the services furnished by O.P.S. in its ordinary contracts. In this arrangement O.P.S. acts simply as the fiscal agent of the veterans administration, receiving claims for services rendered from the various doctors providing same, charging the veterans administration for these, and transmitting the funds back to the doctors. The fee charged the veterans administration is that agreed

upon between the agency and O.P.S. in the contract and is based upon the current O.P.S. fee schedule with certain favorable adjustments. The contract covers home and office medical services only. No provision is made for handling hospitalization, but in this connection Colonel Harding was advised O.P.S. has been handling hospitalization in its "package" for many years and could probably aid the veterans administration in this respect also. Colonel Harding, like many residents of the east, seemed unaware of the strides made in the northwest in the matter of prepaid medical care contracts, and evidenced considerable interest in the arrangements. As a result, there is a possibility there may be a place for O.P.S. in the picture when full care arrangements are completed.

At first glance the arrangements concluded may seem highly desirable to the medical profession under existing circumstances. In many respects this is so. However, certain shortcomings and dangers should be known. The procedures in establishing claims are intricate and confusing, will require constant alertness on the part of the profession to avoid having their claims side-tracked through failure to follow designated procedures. Simultaneously, the profession will be expected to protect the veterans administration against unjust claims. Finally, a huge danger exists as pointed out in comment elsewhere in this section.

Interesting sidelight on the arrangements is the insistence of the veterans administration that only the regular medical profession be included in the program. Experience has apparently taught that the best widespread medical care exists in these cirtles, and the same policy will be followed in dealing with the cults as was followed in procurement of medical officers during the war. Already the osteopaths are breathing dire political threats the way of the veterans administration, and it will be interesting to see what follows in view of the general encroachment of osteopath cultists upon medical matters during the absence of so many regular medical doctors in the services.

Just to keep the record straight, Oregon Physicians Service is not the first doctor-sponsored plan to make this contract with the veterans administration. Services in Michigan, New Jersey and California preceded it. However, by holding back slightly some of the pitfalls revealed in previous contracts were avoided by Oregon, so that the resulting contract is viewed as highly satisfactory by both O.P.S. and veterans administration circles. Companion

with Oregon in negotiations were the service bureaus of the state of Washington, and a similar arrangement exists in that state.

When the contract becomes operative, it is planned to forward a full and detailed circular to every affiliated physician in Oregon, outlining procedures to be followed.

(This exhibit is part of the March 1946 issue of *Northwest Medicine.*)

Plaintiff's Exhibit 434

4900 OREGON STATE MEDICAL SOCIETY
Medical-Dental Building
Portland 5, Oregon

February 4, 1947

Dr. C. I. Drummond, Secretary
Oregon Physicians' Service
Pittock Block.
Portland 5, Oregon

Dear Dr. Drummond:

This letter is to inform you that the Council, at its meeting on February 1, 1947, voted unanimously to recommend that the Board of Directors of the Oregon Physicians' Service adopt a revised fee schedule that will provide a general increase in the fees.

Very sincerely yours,

OREGON STATE MEDICAL SOCIETY

By THOMAS S. SAUNDERS
Secretary

CCF:P

COPY

Plaintiff's Exhibit 435

4901 MR. HARVEY

February 6, 1947

Dr. Thomas S. Saunders, Secretary
Oregon State Medical Society
Medical-Dental Building
Portland 5, Oregon

Dear Dr. Saunders:

This will acknowledge receipt of your letter of February 4, 1947 which stated that your Council, at its meeting on February 1, 1947, voted unanimously to recommend that the Board of Directors of the Oregon Physicians' Service adopt a revised fee schedule that will provide a general increase in the fees.

A copy of this letter has been sent on this date to each member of the Board of Directors of Oregon Physicians' Service. Doubtless action will be forthcoming regarding this matter in the near future and a report will be made to your Council as soon as some definite determination has been made.

Very sincerely yours,

OREGON PHYSICIANS' SERVICE

Secretary

WCM:LR

COPY

Plaintiff's Exhibit 436

4902 EUGENE OWEN, M.D.

February 20, 1947

Report to Stockholders of Oregon Physicians Service:

Report of a special committee appointed by the president of the Medical Society to make a study of the Oregon Physicians Service and to bring in any suggestions that might be of aid to the organization.

Committee members consist of Dr. Eugene Owen, chairman, Dr. Jim Buckley, Dr. Lester Chauncey, Dr. Bruce Titus, Dr. Courtland Booth, Dr. William Shea, Dr. Charles

Manlove, Dr. Oliver Nesbitt, Dr. James Wiley, Dr. H. M. Nichols, Dr. Max Simon and Dr. Charles Gurney.

In approaching this study the committee feels there are two conditions that had to be met. The first condition at the time the committee was appointed was a fee for the services rendered to the patient of the Oregon Physicians Service was 20% of the fee schedule, and we were to determine if the policy of the organization can be rearranged so that a recurrence of 20% of the fee schedule will not occur and also to make suggestions as to how that percentage may be raised to 100%.

The second purpose which we in the committee have felt was the more important of the two functions, was to lay down a long range program that would be of assistance to the Advisory Committee and Administrative Branch of the Service in their future progress, and therefore, most of the recommendations of this committee are on the second phase,

4903 due to the fact that the raise in rates as advised by the State Council has pretty well controlled the increased percentage and the putting in of each contract of a 45 day cancellation clause will eliminate the recurrence of 20 or 22% of the fee schedule.

In the study we felt a few basic questions should be answered. We had to come to the conclusion as to whether we wanted to continue the prepayment practice of medicine, and after due consideration, the committee felt, unanimously, that a prepayment plan should be continued, for not only the employed groups, but it should be enlarged to include all individuals in the State of Oregon.

The reasons for this is two-fold: Primarily, if we went out of the prepayment business, it will be immediately assumed by the lay owned hospital associations and we would be back again to the place we were in 1930 when the Oregon Physicians Service was first started. In other words the practice of medicine would be controlled by a few laymen who would dictate fees, services and hospital expenses. Secondly, there has arisen, as you well know, in the last few years a deliberate agitation for a socialized medical scheme, so that we as physicians have to attempt the organization of some plan that will answer this socialized medical demand.

The reason for enlarging the scope of this organization to taking in individuals is again two-fold. At any committee hearings before the Senate of the United States, one of the questions asked is what percentage of individuals are covered by some prepaid plan in our state. In analyzing

the group in the state of Oregon that are covered, it is estimated that about 10% of the population is all at the present time that have any type of medical insurance. This
4904 includes Blue Cross, lay owned hospital associations and Oregon Physicians Service.

Secondly, with the rising costs of hospitalization, it becomes an economic impossibility for the middle class earner to meet hospital or medical expenses.

Therefore, this committee advocates that the association shall enter into a contract with indivjduals for hospital and medical services.

This committee goes decidedly on record as stating that our subscribers shall be charged a rate so that the physician will be able to receive 100% of the existing fee schedule drawn up by the association.

The next recommendation of the committee is that there should be an income level established above which the physician has the right to demand an additional fee for services if he so desired. The committee, therefore, recommends that written into all contracts shall be a provision of payment according to the subscriber's income level.

Single men: an income of $3000 per year.

Man and wife: an income of $4,000 per year.

Each child: $250 per year increased until a maximum family rate of $5000 per year is reached.

For the individuals whose income falls in or below this level, payment made by Oregon physicians shall be considered to be in full for the services rendered. For individuals, employers or employees with a net income
4905 of over these levels, the doctor may render an additional charge. However, the regular benefits shall apply in all cases.

Due to the fact that there is an increase in the cost of everything, and there has been no adjustment made in the fee schedule since the fees were instituted in 1932, and also due to the fact that when in conference with either the state or Veterans Administration concerning fees, we are constantly faced with the fact that we work for the Oregon Physicians Service and their fee schedule, why should we want an increased fee from these other organizations. Therefore, this committee feels that there should be a new fee schedule immediately drafted that would be adequate for any patient covered even tho the patient made $5000 a year.

There should be a constant committee studying fees and changes in the fee schedule should be made from time to time depending upon the value of the dollar.

That all contracts written should be written at a contract rate that will pay approximately 100% of the new fee schedule.

Regarding administrative costs the committee feels that with the raise in rates a lower percentage cost may be possible than under circumstances today.

The committee went entirely on record on the elimination of any dental care with the exception of dental X-ray where these are necessary in the diagnosis or treatment of any physical conditions, and for the dental X-rays the physician shall receive the prevailing percentage of the fee schedule.

4906 Hospitalization and its relationship to medical attention has received a great deal of discussion lately. The committee are almost unanimous in the feeling that hospitalization should be separated from the medical attention and that Blue Cross should cover the hospitalizations, and the Oregon Physicians Service the medical services of the contract. However, it was decided at this time that it would be inadvisable from the financial point of view to turn over to the Blue Cross the hospitalization in as much as their contract only provides 21 days coverage and ours is 180 days coverage. That due to the careful administration of hospital, we have been able to handle this for about 80 cents per month per subscriber where the Blue Cross requires $1.10 per month per subscriber. However, in opening up the new field of individual contracts, we feel that the new contracts should be separated, the hospital coverage by the Blue Cross and the medical services by the Oregon Physicians Service.

The committee entered into the discussion of medical director vs. managers, and reports that they are in favor, unanimously, of the retention of a medical man as manager and director of Oregon Physicians Service to replace Mr. Marshall who is now contemplating resignation. This committee met with some members of the state Medical Council and Dr. Dean Crowell of Coos Bay, and they are definitely in favor of his retention for Medical Director and Manager.

It is recommended that the practice of Radiology, Pathology, Anesthesiology and other physician specialities should be covered under the contracts in the same manner as all other branches of medical practice.

4907 The committee feels that an additional program should be immediately introduced to familiarize the physician and employers and employees of the Oregon Physicians Service, its aims and programs.

Plaintiff's Exhibit 437

4908 April 28, 1947

Copy of letter sent to secretaries of component societies

We enclose a copy of four recommendations of the Board of Directors of the Oregon Physicians' Service which were adopted by the House of Delegates at its mid-year meeting on April 12, 1947.

All operations of the Oregon Physicians' Service are subject to the principle of local autonomy; i. e., each local medical society determines for itself the nature of the activities of Oregon Physicians' Service within its jurisdiction. Nevertheless, it is desirable that services which the Oregon State Medical Society authorizes the Oregon Physicians' Service to offer be made available on a uniform basis in all counties. This is especially true when the programs offered require the cooperation of state organizations of the persons for whom the programs are designed, as is the case with the plan for rural families.

We shall greatly appreciate it if you will present these authorized programs to your society at its next meeting.

As the members of your society may desire more detailed information concerning these programs, we suggest that you invite Mr. Willard C. Marshall, General Manager of the Oregon Physicians' Service, to attend the meeting at which your society will consider these programs. Mr. Marshall may be addressed at the Oregon Physicians' Service, 471 Pittock Block, Portland 5.

Very sincerely yours,

OREGON STATE MEDICAL SOCIETY

by (s) Thomas S. Saunders
Secretary

Enc.

4909 OREGON STATE MEDICAL SOCIETY

HOUSE OF DELEGATES

Mid-Year Meeting

April 12, 1947

RECOMMENDATIONS OF THE BOARD OF DIRECTORS OF THE OREGON PHYSICIANS' SERVICE ADOPTED BY THE HOUSE OF DELEGATES.

Small Industrial Group Employe and Family Coverage

That Oregon Physicians' Service be authorized to offer full coverage employe group medical and hospital service to employed groups containing from four to ten participants each, with benefits and rates to be the same as those provided for standard employe group contracts, excepting that all such contracts for small groups shall stipulate one hundred per cent participation and also the salary deduction method for collection of monthly dues; and to offer supplemental family coverage, with standard benefits, rates and percentage requirements to these groups.

Rural Family Coverage

That Oregon Physicians' Service be authorized to offer to responsible, established rural groups a plan whereby standard full coverage medical and hospital coverage is provided for heads of families and standard surgical and hospital coverage contracts or standard hospitalization contracts are provided to participating family members; the benefits and rates applicable to these rural group contracts to be the same as those currently effective for industrial employe groups and supplemental family coverage contracts; a registration fee of $1.00 for each family to be charged and quarterly payments to be required.

Individual Coverage

That Oregon Physicians' Service be authorized to offer medical and hospital coverage to employed individuals at the premium rate of $3.50 per month, with advance quarterly payment requirements, an initial registration fee of $1.00 to be required for each individual subscriber; benefits under this proposed contract to be the same as those furnished under the standard employe group full coverage contract excepting for the following changes: the first call by the physician in each case to be the liability of the

patient; hospitalization for each case to be limited to sixty days of full service and an additional sixty days for which Oregon Physicians' Service shall defray one-half of the cost; no dental services to be furnished; and to offer supplemental family coverage at the standard level of rates and benefits to such employed individuals, an initial registration fee of $.50 to be charged for each participating family member.

That Oregon Physicians' Service be authorized to offer contracts for surgical and hospital coverage on a standard benefit basis to individuals at the rate of $2.25 per month, with advance quarterly dues payments and with a $1.00 registration fee for each such individual, head-of-family individuals to have the privilege of extending the benefits of the surgical and hospital coverage contract to their families, with standard rates and benefits, and with a registration fee of $.50 for each additional family member.

Plaintiff's Exhibit 438

4910 OREGON PHYSICIANS' SERVICE

Meeting of Board of Directors

Portland, Oregon
May 17, 1947

The meeting was held at 11:00 A.M. at the University Club, S. W. 6th and Jefferson Streets in Portland, and was called to order by the President, D. R. Ross.

Directors present were: D. R. Ross, J. P. Brennan, C. I. Drummond, Gordon B. Leitch and L. M. Spalding. Administrative personnel of Oregon Physicians' Service also were present.

Due notice of meeting was read and ordered filed.

Minutes of the meeting of the Board of Directors of April 12, 1947 were read and approved as read. Minutes of the meeting of the Board of Directors of March 29, 1947 were read and were approved as corrected in accordance with the minutes of the Board of Directors meeting of April 12, 1947.

Consideration was given to a proposal from McKinsey & Company, management consultants, for the conducting of a business engineering survey of Oregon Physicians' Service. Information from California Physicians' Service relative to the previous survey made for that organization by McKinsey & Company also was reviewed. After subse-

quent discussion of this subject it was agreed informally that the San Francisco office of McKinsey & Company shall be contacted for the purpose of asking a qualified representative of that company to meet with the Board of Directors of Oregon Physicians' Service at a meeting to be held on June 7, 1947 or at some convenient later meeting.

The management outlined a proposed forthcoming program for additional concentration of activity regarding the current professional relations and promotion situation existing in the Portland metropolitan area. A letter
4911 from Dr. John Besson was read concerning this matter. Activities of the Multnomah County Supervisory Committee regarding this situation were reviewed. A motion was duly carried that a communication shall be directed to Dr. R. H. Swinney, Chairman of the Multnomah County Supervisory Committee, stating that the Board of Directors and the management of Oregon Physicians' Service will render every logical support and assistance to said Supervisory Committee with regard to the carrying out of the proposed professional relations and promotion program in the Portland area.

Additional consideration was given to the proposed new Oregon Physicians' Service Medical Fee Schedule. A motion was duly carried that all fees stated on the present draft, of this schedule shall be approved for use in the new edition excepting that the exact level of fees for several types of calls shall be left open for probable final determination at the next meeting of the Board of Directors. It was agreed informally that a comprehensive explanation of Oregon Physicians' Service contracts, rates, billing procedures and administrative procedures shall be included along with the new medical fee schedule such that the combined new information will serve as a ready reference guide for physicians and their assistants.

Consideration was given to the necessity for reporting by cooperating physicians of all cases involving sizable expenditures. A motion was duly carried that all O. P. S. cooperating physicians be notified in the name of the Board of Directors that effective immediately all surgical cases, and all medical cases involving probable expenditures in excess of $25.00 per case (combined total of medical and allied expenses involved), be reported to the proper O. P. S. office before services are rendered, with emergency cases to be excepted. That this procedure is essential to the fair and effective administration of the O. P. S. Plan. That instructions for the reporting of cases be incorporated in the next printed fee schedule. That by order of the Board

of Directors, bills for cases in this category will not be paid until such time as adequate case reports are filed with the proper O. P. S. office.

4912 Mr. Ralph V. Woolsey, Assistant Chief of Inspection and Investigation Division, and Dr. Roy L. Fisher, Chief of Out-Patient Section, Branch Medical Office, both attached to the Veterans Administration Regional Office at Seattle, met with the Board of Directors for a thorough discussion of the operation of the contract now in effect between the Veterans Administration and Oregon Physicians' Service. Exhaustive questions and answers were presented regarding every phrase of this subject. Mr. Woolsey stated that all available information regarding this subject would be obtained from other logical sources also. He also stated that some reply would be forthcoming in the reasonably near future to the letter addressed on April 14, 1947 by the Oregon State Medical Society to Major General Paul R. Hawley, Acting Surgeon General, Veterans Administration.

The management stated that it may be necessary to engage a qualified physician on a salary or contract arrangement in connection with possible contracts which may develop in the forthcoming Idanha Canyon construction project. A motion was carried that D. R. Ross and W. C. Marshall be authorized to study this matter and to negotiate for the services of a qualified physician in the event that Oregon Physicians' Service may acquire certain important contracts in connection with this project.

It was reported that representatives of Oregon Physicians' Service recently had met with Mr. Richard Jones, Director of the Blue Cross Commission of the American Hospital Association, recently for a discussion of possibilities for integrating the activities in this state of Oregon Physicians' Service and the Blue Cross Plan. No definite developments or conclusions were reported.

The management reported that invitations had been received from six county medical societies for discussions of the proposed O. P. S. coverage extension programs as authorized by the Oregon State Medical Society. Additional county medical societies were reported to be giving these matters consideration on an independent basis.

4913 After discussion a motion was carried that Gordon B. Leitch be authorized to make a trip East at the expense of O. P. S. in connection with current developments in medical service plans in this state.

Consideration was given to the previously presented oral resignation of W. C. Marshall. It was pointed out by mem-

bers of the Board of Directors that this resignation never had been accepted. Mr. Marshall reported that developments during the past few months had caused him to reconsider his previous action and that he would be willing to continue in his present capacity if such action should prove to be in accord with the wishes of the Board of Directors. A motion was duly carried that Mr. Marshall be continued as General Manager of Oregon Physicians' Service on an indefinite tenure basis and that his base salary be increased fifteen per cent effective with the current month.

A motion was duly carried that the next meeting of the Board of Directors shall be held in Portland on June 7, 1947 beginning at 1:00 P.M.

Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

.....
Secretary

Plaintiff's Exhibit 439

4914 OREGON PHYSICIANS' SERVICE

Special Meeting of Class A Stockholders and/or Voting Trustees

Portland, Oregon
June 7, 1947

The meeting was held at 1:00 P.M. at the O. P. S. Portland Office, 471 Pittock Block, and was called to order by the President, D. R. Ross.

Class A Stockholders and/or Voting Trustees present were as follows: D. R. Ross, J. P. Brennan, Gordon B. Leitch, L. M. Spalding, Max W. Hemingway and Henry Garnjobst. Administrative personnel of Oregon Physicians' Service also were present.

Proxies received from C. I. Drummond, George I. Hurley and Ralph W. Stearns were duly presented and recorded.

Due notice of the Special Meeting of Class A Stockholders and/or Voting Trustees was presented and recorded.

In the absence of the Secretary, J. P. Brennan was named Acting Secretary by motion duly carried.

Minutes of the Annual Meeting of Class A Stockholders and/or Voting Trustees of September 25, 1946 were read and approved as read.

Lengthy consideration was given to the proposed new O. P. S. Medical Fee Schedule. A motion was duly carried that the fee for the first office visit, report and treatment including routine physical examination on this new schedule shall be placed at $4.00. A motion was duly carried unanimously that the proposed new fee schedule, with the first office visit placed at $4.00, shall be adopted in full as presented to become effective at a future date to be determined at a subsequent meeting.

L. M. Spalding was named to represent the Board of Directors in presenting the fee schedule matter to the forthcoming Meeting of the Council of the Oregon State Medical Society.

4915 Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

(Signed) J. P. BRENNAN
Acting Secretary

Plaintiff's Exhibit 440

4916 October 3, 1947

Dr. J. W. Neighbor, Medical Director
Permanente Hospital — Vanport
Vanport City, Oregon

Dear Dr. Neighbor:

This will acknowledge receipt of your letter of September 29, 1947 which inquires concerning certain procedures to be followed in connection with the rendering of services to students of Vanport Extension College under the terms of a contract held by Oregon Physicians' Service.

As stated to your Dr. Noehren when he called at this office last Monday, we shall present this matter to our Multnomah County Supervisory Committee for some equitable determination in the near future. Immediately thereafter we shall be pleased to advise you further.

Sincerely yours,

OREGON PHYSICIANS' SERVICE

General Manager

WCM:LR

COPY

Plaintiff's Exhibit 441

4917 November 6, 1947

Dr. J. W. Neighbor, Medical Director
Northern Permanente Foundation
Permanente Hospital — Vanport
Vanport City, Oregon

Dear Dr. Neighbor:

Reference is made to your previous letters of September 29 and October 4, 1947. The matters contained in your letters were discussed fully at a recent meeting of the Multnomah County Medical Society's Supervisory Committee of Oregon Physicians' Service.

By motion duly made and carried the Committee declined to accede to the Foundation's request on the grounds that the By-Laws of Oregon Physicians' Service limits physician-participation in the plan to members of the Oregon State Medical Society and/or any component medical society in Oregon. It is the Committee's understanding that none of the doctors employed by the Northern Permanente Foundation is a member of either the Oregon State Medical Society or the Multnomah County Medical Society, and that such nonmembership automatically would prevent staff membership participation in the O. P. S. plan. Doubtless Foundation physicians will have occasion to care for some O. P. S. subscribers on the same basis as that utilized by other non-staff physicians — in bonafide emergencies.

4918 If the status of Permanente physicians with reference to possible medical society membership should change at any future date, we should be pleased to discuss this situation further with you.

Sincerely yours,

OREGON PHYSICIANS' SERVICE

General Manager

WCM:LR

COPY

Plaintiff's Exhibit 442

4919 November 19, 1947

Dr. J. W. Neighbor, Medical Director
Northern Permanente Foundation
Northern Permanente Hospital — Vanport
Vanport City, Oregon

Dear Dr. Neighbor:

This will acknowledge receipt of your letter of November 17, 1947.

In view of the statements made in your letter, we shall refer this matter again to the Supervisory Committee of the Multnomah County Medical Society for possible additional consideration. In the event that this Committee should take subsequent action, we shall be pleased to advise you further.

Sincerely yours,

OREGON PHYSICIANS' SERVICE

General Manager

WCM:LR

COPY

Plaintiff's Exhibit 443

4920 OREGON PHYSICIANS' SERVICE

Meeting of Board of Directors

Portland, Oregon
December 13, 1947

The meeting was held at 2:00 P.M. at the Portland Office of Oregon Physicians' Service, 471 Pittock Block, and was called to order by the President, D. R. Ross.

Directors present were: D. R. Ross, J. P. Brennan, Gordon B. Leitch and L. M. Spalding. General Manager, W. C. Marshall, was present.

Because of the absence of the Secretary, J. P. Brennan was named as Acting Secretary for this meeting.

Due notice of meeting was read and ordered filed.

Minutes of the Meeting of the Board of Directors of November 8, 1947 were approved without further reading inasmuch as each Board member had previously received a copy of these minutes.

Lengthy additional consideration was given to the report and recommendations previously filed by McKinsey & Company. A motion was duly carried unanimously that the report and recommendations of McKinsey & Company be accepted. A motion was carried unanimously that the report and recommendations of McKinsey & Company be transmitted to the Oregon State Medical Society, that copies of the report be sent to the Chairman of each Supervisory Committee in the State for full consideration by his Committee, and that in each instance a request be made that each body give full consideration and study to the report and subsequently forward any desired recommendations in writing to the Board of Directors of Oregon Physicians' Service.

In accordance with the recommendations contained in the McKinsey & Company report, a motion was duly carried unanimously that the position of Assistant General Manager be created and that the General Manager be instructed to name a logical person for this position. In execution of this action, Joseph E. Harvey, Jr. was named to the position of Assistant General Manager, and this appointment met with general approval informally.

4921 A communication from the Multnomah County Medical Society dated December 3, 1947 was read to the effect that the Council of said Society requests that a copy of the McKinsey & Company report be made available to Dr. R. H. Swinney as Chairman of the Multnomah County Supervisory Committee. This letter is attached to the minute book next hereto. In view of the fact that action already has been taken to provide copies of the McKinsey & Company report to all supervisory committees, including the Multnomah County Committee, it was agreed informally that the Multnomah County Medical Society should be advised that favorable action already has been taken concerning the Society's request.

After considerable deliberation a motion was carried unanimously that the tentatively approved new medical fee schedule shall be approved formally, including the fee of $5.00 for the first office visit, and that every effort shall be made to make this new schedule effective as of February 1, 1948 providing that the necessary printing can be accomplished by that time. After discussion a motion was carried that the new medical fee schedule shall include a regulation to the effect that in surgical cases wherein the pathological reports shall not agree with the advance diagnosis, the payment for surgical services shall be reduced

by twenty percent from established surgical fees under the new schedule and that pathological reports shall be required on all surgical cases.

The matter of penicillin administration in doctors' offices and in homes received considerable discussion. A motion was duly carried unanimously that O. P. S. group employe contracts shall be changed to provide for payment by O. P. S. of penicillin used in coverable cases when administered by the injection method by cooperating physicians and that all cooperating physicians shall be requested to use extreme care with reference to the use of penicillin on a limited basis only.

It was pointed out that the reserve for unreported claims required as of December 31, 1947 is being calculated on a weighted average ratio recommended by the State Insurance Department. It was agreed informally that the suggested method of calculation shall be followed in computing the required reserves.

4922 By informal agreement it was determined that the matter of considering possible adjustment of the current cost of living bonus being paid to all O. P. S. administrative employes shall be brought to the attention of the January Meeting of the Board of Directors for possible determination.

Discussion ensued with reference to the recommended state-wide radio spot announcements to be utilized by O. P. S. at eleven radio stations strategically located throughout the State in areas wherein approval previously has been received for the promotion of the new coverage programs. A motion was carried that the recommendations of Simon & Smith which specify that spot announcements should be utilized at these eleven stations for thirteen times per month for six months, shall be adopted.

Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

(Signed) GORDON B. LEITCH
Acting Secretary

Plaintiff's Exhibit 444

4923 AGREEMENT

THIS MEMORANDUM OF UNDERSTANDING made and entered into as of the First day of July, 1947, between OREGON PHYSICIANS' SERVICE, an Oregon corporation, hereinafter referred to as O. P. S., and the OREGON STATE MEDICAL SOCIETY, hereinafter referred to as the Society, WITNESSETH:

1. This agreement shall apply only to those sections of the State of Oregon not previously, or hereafter, covered under separate agreements held by Oregon Physicians' Service, and is entered into by said Society on behalf of its members, and/or members of Component County or District Medical Societies in the State of Oregon, who heretofore have elected, or hereafter shall elect, to become members and stockholders in O. P. S.

2. It is understood that O. P. S. has entered into, and will continue to enter into, contracts with certain industrial and other organizations, associations and corporations, individuals and families, in all sections of the State of Oregon for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accommodations and services, dental and other benefits as contemplated by the corporate powers of O. P. S. and as defined in the contracts which it may enter into.

3. It is further contemplated that certain individual members of the Society, and/or Component County or District Medical Societies in Oregon, have become, or shall hereafter become, members and stockholders in O. P. S., and shall constitute the Staff of Physicians for the rendering of services to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations pertaining to the contracts above described, and the relations between O. P. S. and the physicians constituting its Staff.

4. Any member of the Society, and/or of any Component County or District Medical Society in Oregon, shall be eligible to become a stockholder of, and a member of the Staff of O. P. S. Each such member shall purchase two shares of the Class AA Capital Stock of O. P. S. (excepting that any member residing in a community of less than one

thousand population shall purchase one share of
4924 such stock) and shall execute an individual staff agreement, a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital stock shall be Twenty-Five Dollars ($25.00) per share. No physician shall be admitted to the said Staff except upon the certification of the Society's secretary that such physician is a member in good standing of the said Society and/or of a component County or District Medical Society in the State of Oregon.

5. Payments by O. P. S. for services rendered by members of the said Staff to persons requiring treatment under O. P. S. contracts shall be made primarily according to the fee schedule or schedules which shall be agreed upon from time to time by and between said Society and the Board of Directors of O. P. S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contracted parties, hospital services, medical and surgical services in emergencies or for patients referred to physicians not participating in this Agreement, stipulated medicines and drugs, ambulance services and all other services specified in O. P. S. contracts, have been paid in full. While initial payments made by O. P. S. to Area Staff Members for services rendered to O. P. S. contract subscribers shall be based primarily on the above-mentioned fee schedule or schedules, it is specifically agreed that full payment of services rendered by any Staff Member hereunder shall constitute such Member's full relative share of all funds available during any accounting period for the payment of services rendered by all Area Staff Members during that period, regardless of whether such payments shall be made in one or more installments. Such above-mentioned fee schedule or schedules shall be used as a basis for calculating fee payments but full payment of Area Staff members for any accounting period may be made at a level higher or lower than such schedule or schedules in accordance with the operating experience encountered for such period.

6. The management of O. P. S., under the direction of the Board of Directors of O. P. S., is to handle and have charge of all administration and acquisition work required in connection with contracts located in the area specified herein, and all moneys representing dues on contracts covering the business transacted in said Area shall be col-

lected by and paid to O. P. S. at a place selected by it.
4925 The average state-wide O. P. S. operating charge will be made by O. P. S. against all contract collections in said area, to cover the cost of professional liability insurance, licenses, reserve funds and indemnity bonds as required by the laws of Oregon, or deemed advisably by the Board of Directors of O. P. S., in maintaining the corporate structure; and to cover the actual cost of acquisition and administration of the contracts incident to the business transacted in the said Area.

7. It is understood that all moneys received by O. P. S. under its contracts incident to business transacted in the said Area, except the administrative charge above provided for, shall be used to furnish services to the persons covered under O. P. S. contracts in the said Area, and that all bills for stipulated medicines, hospital accommodations, and services of dentists, physicians and surgeons are to be paid from the balance of moneys collected from said Area contracts, in the manner above specified, after the deduction of the above described administrative charge.

8. It is further agreed that the accounts of O. P. S. relative to its business in said Area, shall be kept separate and distinct from all of its other business and that no part of the income from the said Area shall be applied to the payment of any expenses of administration and acquisition relative to any other business done by O. P. S., or be diverted to the payment of bills for services to subscribers under O. P. S. contracts in other areas not involved in this agreement. O. P. S. shall not be required to pay any expenses, bills or charges of any nature arising from its said Area operations, except from moneys received from the operations of O. P. S. in said area.

9. This MEMORANDUM OF UNDERSTANDING may be terminated by either party hereto, effective the thirty-first day of December of any year subsequent to the effective date of this memorandum by the giving of written notice of such termination to the other party at least ninety (90) days prior to such termination date. In the event of such termination, the physicians participating hereunder nevertheless agree to render services under the contracts of O. P. S. in said Area in accordance with this memorandum until such time as all contractual obligations of O. P. S. in said Area have expired.

4926 IN WITNESS WHEREOF Oregon Physicians' Service has caused this MEMORANDUM OF UN-

DERSTANDING to be duly executed by its President and Secretary as of the day and year first hereinabove written.

OREGON PHYSICIANS' SERVICE

By D. R. Ross
President

By C. I. DRUMMOND
Secretary

The principles set forth in this MEMORANDUM OF UNDERSTANDING were approved by the Oregon State Medical Society on the 12th day of July, 1947.

OREGON STATE MEDICAL SOCIETY

By STANLEY LAMB
President

By THOMAS SAUNDERS
Secretary

Plaintiff's Exhibit 445

4927

November 6, 1947

Dr. J. W. Neighbor, Medical Director
Northern Permanente Foundation
Permanente Hospital — Vanport
Vanport City, Oregon

Dear Dr. Neighbor:

Reference is made to your previous letters of September 29 and October 4, 1947. The matters contained in your letters were discussed fully at a recent meeting of the Multnomah County Medical Society's Supervisory Committee of Oregon Physicians' Service.

By motion duly made and carried the Committee declined to accede to the Foundation's request on the grounds that the By-Laws of Oregon Physicians' Service limits physician-participation in the plan to members of the Oregon State Medical Society and/or any component medical society in Oregon. It is the Committee's understanding that none of the doctors employed by the Northern Permanente Foundation is a member of either the Oregon State Medical Society or the Multnomah County Medical Society and that such non-membership automatically would prevent staff membership participation in the O. P. S. plan. Doubt-

less Foundation physicians will have occasion to care for some O. P. S. subscribers on the same basis as that utilized by other non-staff physicians — in bonafide emer-
4928 gencies.

If the status of Permanente physicians with reference to possible medical society membership should change at any future date, we should be pleased to discuss this situation further with you.

Sincerely yours,

OREGON PHYSICIANS' SERVICE

General Manager

WCM:LR

COPY

Plaintiff's Exhibit 446

4929 OREGON PHYSICIANS' SERVICE

Meeting of Board of Directors

Portland, Oregon
February 14, 1948

The meeting was held at 2:00 P.M. at the Portland Office of Oregon Physicians' Service, 471 Pittock Block, and was called to order by the President, D. R. Ross.

Directors present were: D. R. Ross, J. P. Brennan, Gordon B. Leitch and L. M. Spalding. James C. Hayes, President of the Oregon State Medical Society, and W. J. Weese, Chairman of the Rural Health Committee of the Oregon State Medical Society, were present. Administrative personnel were present as follows: Joseph E. Harvey, Jr. and W. C. Marshall.

Because of the absence of the Secretary, Gordon B. Leitch was named as Acting Secretary for this meeting.

Due notice of meeting was read and ordered filed.

Minutes of the Meeting of the Board of Directors of January 10, 1948 were read and were approved as read.

Lengthy consideration was given to the obtaining of O. P. S. professional liability insurance for the period beginning March 23, 1948, at the expiration of the present policy. Offerings from the Metropolitan Casualty Insurance Company, the Aetna Casualty and Surety Company, Lloyds of London and the St. Paul Mercury Indemnity Company were reviewed in full. The involved quoted pre-

miums ranged from an approximately $2,170 annual premium on a three year basis as quoted from Lloyds of London up to approximately $3,800 for a single year quoted by the Aetna Casualty and Surety Company. A motion was duly carried that the offering of Lloyds of London be accepted at the quoted premium rate for a three year period, with annual premium and/or deposit payments, providing that additional investigation shall indicate that the policy form and all other matters pertaining to this offer prove to be in order.

J. P. Brennan rendered an additional report regarding the approach by the Army Engineers with reference to the possible operation of an hospital and/or infirmary at Umatilla and/or Ordnance, Oregon. Information ob-
4930 tained from Paul Nelson, Superintendent of Construction, indicated that the Army Engineers' Office and field force currently on the job totals about 135 people. The Army Engineers probably will have not more than 275 in personnel at the top point. At the height of construction the contractors involved probably will employ between four and five thousand men. Nothing has been done with the hospital currently located at Ordnance, Oregon. A first aid station currently is handling some of the minor injuries occurring to Army Engineers' personnel and two ambulances are available for taking serious cases to the hospital in Pendleton. After full consideration, a motion was duly carried that the report of J. P. Brennan be accepted for continued study and for possible future use.

Additional consideration was given to the matter of investment of additional reserve funds to the amount of approximately $100,000. A motion was duly carried that deposits in the amount of $5,000 each be made in the additional available savings and loan companies in Oregon and that any additional funds up to the $100,000 total be deposited in amounts of $5,000 each in Time Deposit Certificates in independent banks located in this state, with all such investments to be approved in advance by the Treasurer of the corporation.

After full consideration a motion was duly carried that the dues of each Pay Office subscriber be increased by $.50 per month effective on April 1, 1948 or as soon thereafter as may be practicable.

Another motion was carried that the management shall be authorized to exert additional promotion efforts toward obtaining more family and individual coverage in Mult-

nomah County during the ensuing three or four months through the method of increasing newspaper and radio advertising, as well as direct mail campaigns, in addition to the utilization of required additional sales personnel for this purpose.

The management stated that a thirty day extension had been obtained for the preparation by William G. Stacey & Company of a proper presentation for Oregon Physicians' Service in appealing the assessment previously made by the State Tax Commission on required reserves set up during the fiscal year ending June 30, 1945. It was agreed informally that any required legal or other talent may be obtained for assistance in this matter.

4931 Reports were given by Gordon B. Leitch and W. C. Marshall concerning their attendance at the recent District 11 A. M. C. P. Conference held in San Francisco. It was pointed out that all Western States representatives present at the conference had indicated their strong desire that the medical profession remain in the most prime position with reference to the operation of approved medical service plans throughout the country. A resolution was passed at the San Francisco meeting and was read at this meeting. A copy is attached to this minute book next hereto.

Participation in the forthcoming Semi-Annual Conference between Medical Care Plans and Blue Cross Plans to be held in Los Angeles on March 29 to April 1 inclusive was discussed. After full consideration a motion was duly carried that all members of the Board of Directors and the General Manager shall be asked to attend the Los Angeles Conference.

The status of inactive O. P. S. stockholding-physicians who are deceased, have left the state, have retired, or are no longer cooperating, was discussed. A motion was duly carried that the handling of reimbursements for stock held by these inactive physicians shall be accomplished by the management in accordance with the circumstances encountered in each case.

After consideration a motion was duly carried that any physician who may hold O. P. S. stock and who shall cease to be a member in good standing of a medical society in this state, shall cease being considered as a member in good standing of O. P. S. and the stock of any such physician shall be repurchased as promptly as possible.

The matter of proper disposal of X-ray films taken at the Vanport Hospital during the period of O. P. S. operation

was given full consideration. A motion was duly carried that the matter be referred to the Multnomah County Medical Society for recommendations inasmuch as the Vanport Hospital was operated by O. P. S. at the request of said Society and solely as a part of the Multnomah County
4932 pool.

A communication from the Oregon State Medical Society dated February 11, 1948 was read to the effect that said Society recommends that Oregon Physicians' Service subscribe to the Shearon Medical Legislative Service of Washington, D. C. on an annual "sustaining" basis of $500. This communication is attached to this minute book next hereto. A motion was duly carried that Oregon Physicians' Service subscribe to the Shearon Medical Legislative Service on a "sustaining" basis of $500 for one year.

The matter of formulating a policy for proper methods of making payments on medical service statements long overdue was discussed. A motion was duly carried that discounts shall be made in the payment of past due medical service statements on the following basis: Ten percent penalty to be assessed on bills received more than four but less than thirteen months after the rendering of services; twenty-five percent additional discount to be assessed on bills received from thirteen to twenty-four months after the delivery of services; twenty-five percent additional discount to be assessed for each additional twelve months delay in rendering billings thereafter.

Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

.....

Acting Secretary.

Plaintiff's Exhibit 447

4933 March 5, 1948

Dr. Phillip E. Pemberton
4141 N. Aleutian Street
Portland 3, Oregon

Dear Dr. Pemberton:

The Articles of Incorporation and By-Laws of Oregon Physicians' Service provide, among other things, that no person may continue to be a Class AA Stockholder unless he is a member in good standing of the Oregon State Medical Society or is eligible for such membership. A recent review of available records indicates that you do not hold such membership at this time.

Eligibility for the continued holding of Class AA Stock is a prerequisite for the continued status of any person as a cooperating physician of Oregon Physicians' Service. Consequently, we hereby make official request that you endorse your Class AA Stock Certificate in the blank space on the reverse side thereof and present same to this office for redemption. Upon receipt of the endorsed certificate, we shall forward our check for $50.00 as the full redemption price. Notice of termination of your Cooperating Agreement also is rendered hereby.

The action as stated herein has been taken by the Board of Directors of Oregon Physicians' Service in regular session. If you should desire to present any information which might in any manner affect the basic facts stated herein, you may wish to file any desired statement with the Board of Directors during the twenty day period from the date of this notice, as provided by the By-Laws of Oregon Physicians' Service.

Sincerely yours,

OREGON PHYSICIANS' SERVICE
Secretary

WCM:LR

Plaintiff's Exhibit 448

4934 April 22, 1948

Dr. Charles M. Frazee
4934 N. E. Union Avenue
Portland 11, Oregon

Dear Dr. Frazee:

Our records are somewhat confusing with reference to your status with Oregon Physicians' Service. For one thing, our records do not show whether you are currently a member of the Oregon State Medical Society and/or the Multnomah County Medical Society.

Inasmuch as Medical Society membership is a prerequisite of O. P. S. cooperating physician-membership, we should appreciate receiving your advice concerning this point at your early convenience.

Sincerely yours,
OREGON PHYSICIANS' SERVICE
General Manager

WCM:LR

Plaintiff's Exhibit 449

4935 OREGON PHYSICIANS' SERVICE

INTER-OFFICE CORRESPONDENCE

To Cooperating Agreement File DATE 5-26-44

FROM Willard Marshall

SUBJECT

SENT FROM
SALEM OFFICE ☐
PORTLAND OFFICE ☐
MEDFORD OFFICE ☐

May 26, 1944

Dr. Charles M. Frazee:

A telephone conversation was held with Dr. Frazee this afternoon regarding the letter which I recently wrote to him requesting that he join the local medical society.

Dr. Frazee informs me that he is about to retire from practice and that he feels it would be inadvisable for him to join the society for the remaining few months of prac-

tice. He desires to cooperate with us and will join the society if we insist.

Perhaps a final decision on this matter should be held up pending additional consideration. In the meantime Dr. Frazee should be continued as an O. P. S. Cooperating Physician.

Plaintiff's Exhibit 450

4936 OREGON PHYSICIANS' SERVICE

Meeting of Board of Directors

Portland, Oregon
June 12, 1948

The meeting was held at 2 P.M. at the Portland Office of Oregon Physicians' Service, and was called to order by the President, D. R. Ross.

Directors present were: D. R. Ross, C. I. Drummond, Gordon B. Leitch and L. M. Spalding. James C. Hayes, President of the Oregon State Medical Society, was present as also were Leslie S. Kent and James E. Buckley. O. P. S. administrative personnel present were; Joseph E. Harvey, Jr. and W. C. Marshall. O. P. S. Trustee Henry Garnjobst was present.

Due notice of meeting was read and ordered filed.

Minutes of the meeting of the Board of Directors of May 1, 1948 were read and were approved as read.

Discussion ensued with reference to the viewpoint to be expressed at a special meeting of the Council on Medical Service of the American Medical Association to be held at Chicago on June 19, 1948 at which O. P. S. Board member, Gordon B. Leitch, will be in attendance. The previous views of the Board of Directors were reaffirmed by motion duly carried to the effect that (1) the professionally-sponsored medical service organizations should continue with their own separate national liaison and (2) the Western States professionally-sponsored plans should formulate a Western States Conference to represent the interests of this section of the country adequately.

The management reported that a formal hearing was held with the State Tax Commission on May 11, 1948 with reference to the tax assessment previously issued against O. P. S. by said Commission, and that O. P. S. was represented at such conference by Mr. Carl E. Davidson, legal counsel on tax matters; Mr. William G. Stacey, O. P. S. auditor, and by three members of the O. P. S. administra-

tive staff. At the end of this hearing a statement was made by the Chairman of the State Tax Commission to the
4937 effect that the entire matter would be taken under advisement by the Commission. No further word of any kind has been received since that date.

By motion duly carried signatures of D. R. Ross, President; Gordon B. Leitch, Treasurer; W. C. Marshall, General Manager; Joseph E. Harvey, Jr., Assistant General Manager; C. W. Kincaid, Claims Supervisor; and W. A. Sundberg, Chief Accountant; were authorized in connection with the Time Deposit Accounts to be placed in the Commercial Bank of Newberg and in the Bank of Newport. The Secretary was duly authorized to sign resolution forms in connection with the opening of these two accounts.

Discussion ensued with reference to possible future investment of additional reserve funds which may be required through periodic enlargement of the corporation's business. A motion was duly carried to the effect that savings and loan association accounts and time deposit accounts in banks shall be utilized in institutions located in neighboring states, with no single deposit to exceed the $5,000 limitation subject to protection by the Federal Deposit Insurance Corporation.

The management reported that notices have been sent to all current holders of O. P. S. contracts to the effect that the monthly rate of dues on full coverage contracts will be increased to $3.50 effective August 1, 1948 and offering an alternative type of contract with limitation on hospitalization at the $3.00 per month rate of dues. Some replies to these notices have been received up to this time but a more complete resume of the situation will be made available for the next meeting of the Board of Directors in July.

Several members of the Board of Directors and administrative personnel reported that various reactions to the current O. P. S. medical fee schedule have been received from physicians in different sections of the state. A motion was made by Gordon B. Leitch, seconded by Clarence I. Drummond and duly carried that a communication shall be addressed to each cooperating county or district medical society in the state asking each society to voice its opinion concerning the practicability of the current O. P. S. fee schedule. Subsequent to the receipt of replies from the component medical societies a study of the fee schedule will be continued by the Board of Directors.

Opinions were voiced by three members of the Board of

Directors to the effect that some estimate should be obtained of the level of services which might be provided by O. P. S. for various levels of monthly dues. A motion was made by Gordon B. Leitch, seconded by L. M. Spalding and duly carried to the effect that the management shall study various levels of benefits which might be offered under O. P. S. contracts at various levels of dues and shall report these findings back to the Board of Directors at some subsequent date.

Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

(Signed) J. P. BRENNAN
Acting Secretary

Plaintiff's Exhibit 451

4938 BENJAMIN GOLDBERG, M.D.

Ball Building
Corvallis, Oregon

21 June 1948

Oregon Physicians' Service
455 Ferry St.
Salem, Oregon

Dear Sirs:

After careful analysis I find myself unable to abide by your fee schedule, plus the additional substantial reductions that have been made, for my services and hence am returning my two shares of Class AA stock and ask to be reimbursed for same, and relieved of my contractual relations with the Oregon Physicians' Service.

As you know my work is entirely limited to referred diagnostic x-ray studies, and hence my income from the practice of medicine is therefore also limited.

My services shall as always be available to any person in this community or surroundings, regardless of their affiliations.

Yours very truly,

(Signed) BENJAMIN GOLDBERG, M. D.
Benjamin Goldberg, M. D.

Dr. Benjamin Goldberg
Ball Building
Corvallis, Oregon

Dear Dr. Goldberg:

This will acknowledge receipt of your letter of June 21, 1948 in which you tender your resignation as a cooperating physician of Oregon Physicians' Service. Please find enclosed herewith our check in the amount of $50.00 as full refund for two shares of Class AA Stock, represented by certificate Number 738 drawn in your name. We trust that you will find this repayment entirely in order.

Naturally we are regretful that you have seen fit to sever your connections with O. P. S. It will be necessary, of course, to place in the "emergency" classification any services which you may render to O. P. S. subscribers from this point forward. Any possible reimbursement to subscribers in some cases necessarily would be considered from the emergency phase only.

If you later should change your views on this subject or if you should decide to reinstate your affiliation with O. P. S. at some later date, we feel sure that the Board of Directors would be pleased to give full consideration to any possible application for reinstatement.

Sincerely yours,

OREGON PHYSICIANS' SERVICE

General Manager

WCM:LR

Plaintiff's Exhibit 452

4940 OREGON PHYSICIANS' SERVICE

Meeting of Board of Directors

Portland, Oregon

July 10, 1948

The meeting was held at 2:00 P.M. at the Portland Office of Oregon Physicians' Service and was called to order by the President, D. R. Ross.

Directors present were: D. R. Ross, J. P. Brennan, Gordon B. Leitch and L. M. Spalding. James C. Hayes, President of the Oregon State Medical Society, was present as

also was Leslie S. Kent. O. P. S. administrative personnel present were: Joseph E. Harvey, Jr. and W. C. Marshall.

Due notice of meeting was read and ordered filed.

Inasmuch as the Secretary was not present, the President appointed J. P. Brennan to serve as Acting Secretary for this meeting.

A motion was made by Gordon B. Leitch, seconded by J. P. Brennan and unanimously carried that the reading of the minutes of the Meeting of June 12, 1948 shall be waived in view of the fact that each Director previously had received a copy of said minutes, and that these minutes be approved.

A comprehensive report was given by Gordon B. Leitch concerning actions taken at the Meeting of State Medical Society President and/or authorized representatives held in Chicago on June 19, 1948 and also the meeting of Representatives of Western States Medical Service Plans held in Chicago on June 20, 1948. Both meetings were attended by Dr. Leitch as an authorized representative from Oregon. After discussion a motion was made by Gordon B. Leitch, seconded by J. P. Brennan and unanimously carried that Oregon Physicians' Service notes with interest the tentative formation of a Western States Conference of Medical Service Plans.

A report was given by the general management concerning replies received to date from county or district medical societies in connection with the previous request of the Board of Directors that such societies express their
4941 views regarding the fee levels and general workability of the current Oregon Physicians' Service Medical Fee Schedule. No action was taken regarding this matter at this time.

The general management reported progress concerning the contract rate increases and the installation of limitations on hospitalization in some contracts, with changes to become effective in most instances on August 1, 1948. It was reported that eight contract holders have signified their intention to accept the limited hospitalization contract effective on August 1, 1948 and that considerable experience may be gained from the operation of these contracts during the coming year. It was noted that about ten definite contract cancellations have been received up to the present time as a result of the rate increase announcements and that it is probable that some of these cancellations may be withdrawn after further conferences are held.

Consideration was given to adjustment of the cost-of-living bonus for the O. P. S. administrative staff effective July 1, 1948, in accordance with the previously established policy regarding this matter. A motion was made by J. P. Brennan, seconded by Gordon B. Leitch and unanimously carried that the cost-of-living bonus paid to administrative employes shall be increased to 26% effective as of July 1, 1948.

A review of the results and general effects obtained from the 1947-1948 advertising program was given by the general management. No action was taken regarding this matter at this time.

The management reviewed the possible savings which might be gained from purchase of modern composition and duplicating equipment suitable for office use in producing many of the O. P. S. forms and folders. A motion was made by J. P. Brennan, seconded by L. M. Spalding and unanimously carried that the management shall be authorized to purchase suitable Vari-Typer and Davidson Offset equipment for use in producing as large a percentage of the printing requirements of O. P. S. as may seem logical to the management from time to time.

4942 Following additional discussion concerning the current costs of hospitalization, a motion was made by Gordon B. Leitch, seconded by J. P. Brennan and unanimously carried that the President shall be requested to call a special meeting of the Board of Directors at some future suitable date for the purpose of considering all phases of hospitalization problems.

Discussion ensued with reference to the possible desirability of obtaining greated statistical material in report, chart and graph form for use by the Board of Directors in connection with the operation of O. P. S. in many districts of the state. It was agreed that the management shall make a study in the early future of the availability of such information and that such data shall be provided as a routine procedure from time to time starting at the earliest practicable time.

Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

Acting Secretary

Plaintiff's Exhibit 453

4943 OREGON PHYSICIANS' SERVICE
INTER-OFFICE CORRESPONDENCE

To Multnomah County Supervisory Committee

DATE July 26, 1948

FROM O.P.S. Administrative Staff

SENT FROM Portland

SUBJECT:—

You have asked the business management of O.P.S. to recommend steps that could be taken by the Supervisory Committee to improve the Multnomah County Division of O.P.S., both financially and administratively. We are glad to give you our thoughts, but you must bear in mind that they have a business basis, qualified only by the understanding of the medical profession we have gained in in Oregon Physicians' Service.

The recommendations group themselves under four general categories: 1. Physicians' Relationships to O.P.S., 2. Service Contract Elements, 3. Hospital Relationships to O.P.S., and 4. Administration. The business management will be glad to elaborate on the recommendations at an appropriate time.

I. *PHYSICIANS' RELATIONSHIPS TO O.P.S.*

1. It is recommended that the Supervisory Committee conduct a semi-annual study of the bills of all physicians participating in the Multnomah County Pool. The purpose of this survey would be to single out those physicians who consistently bill O.P.S. more than other cooperating physicians in similar practices for treatment of similar conditions. The business management can assist in making the survey by "screening" out those physicians who obviously take care of O.P.S. subscribers on a reasonable basis, leaving only the questionable cases for the Committee's consideration.

2. It is recommended that the Committee adopt the policy of contracting physicians whose bills are "out of line" on an "individual" basis. The present system of asking the erring physician to appear before the Committee to discuss his O.P.S. inequities has

two bad features; first, the physician on trial has his "neck bowed" and is much less likely to listen to reason than if approached on an individual basis. Secondly, group disciplining inevitably results in the accused losing face in the sight of his colleagues. It is felt that a system of individual contacts—various members of the Supervisory Committee being assigned to contact and discuss O.P.S. relationships with the physicians selected in the semi-annual survey be established.

3. It is recommended that the Committee request the O.P.S. Board of Directors to repurchase the stock of any physician who does not indicate his willingness to cooperate with O.P.S. on the basis outlined by the Committee. Since more than 90% of the licensed practicing physicians are now members of the O.P.S. staff, the danger of not being able to provide services because of a limited staff is not great. A physician who remains on the O.P.S. panel, all the while complaining about O.P.S. to his patients, is a
4944 far greater liability to the prepayment plan than a physician who is not a member of the panel. At present there appear to be at least a few such physicians listed as cooperating with O.P.S.

II *CONTRACT ELEMENTS*

1. It is recommended that the Supervisory Committee, through small group meetings of cooperating physicians and/or annual stockholders' meetings encourage participating physicians to adopt a more realistic businesslike attitude toward the conduct of the business side of O.P.S. In our opinion neither the Committee or the bulk of participating physicians fully appreciate either the size of O.P.S. (over $3,000,000 gross — 1948) or the sanctity of their cooperating agreements with O.P.S. and the service contracts O.P.S. writes with subscriber groups in their behalf. The attitude that O.P.S. should simply determine what it costs to write contracts, announce the adjustments and "let the chips fall where they may" is not very sound. Businesses of all kinds have long since realized that changes in products and methods of operation must be well planned and brought about at the proper psychological times, in in evolutionary manner. There is no reason to believe that physicians in business would be exempt

from the operation of this basic law (witness the Cowlitz County Medical Service Bureau which dropped from 11,000 to 1,700 subscribers in sixty days as the result of unwise adjustments in premium rates and benefits).

2. As a long range program it is recommended that the principle of "subscriber participation" be injected into all contracts written by O.P.S. By subscriber participation we mean such devices as requiring the subscriber to pay a small percentage of his hospital bill and/or to pay the first one or two office visits to the physician in any single case; to place the subscriber on his guard against abuse of the service plan.

3. As a long term program it is recommended that our contracts be extended to include preexisting conditions. Safeguards against subscriber abuse of such a provision would, of course, have to be provided. In addition, it is recommended that as soon as feasible, some of the minor "exclusions" that mean very little from a financial standpoint be eliminated from the contracts i.e., suicides, acts of personal violence, etc.

4. As a long term program it is recommended that the principle of adjusting contract benefits be given priority over that of increasing subscriber premium rates. Although O.P.S. does, in fact, and with exceptions only in the State of Washington, provide a more complete coverage than any other professionally sponsored plan in the country, it is also true that O.P.S. subscriber rates are surpassed only by a few places in Washington and in California. It is our opinion that should additional adjustments in either premium rates or benefits be necessitated following the rate increases of August 1, 1948, serious consideration be given to benefit adjustments.

4945 III. *HOSPITAL RELATIONSHIPS WITH O.P.S.*

1. It is recommended that the Committee use its complete influence to force hospital recognition of O.P.S. through the granting of discounts similar to those granted other public service agencies. It is the rule rather than the exception in business that recognition in the form of discounts is given to quantity

purchasers who settle their accounts within a reasonable period. It is our opinion that the hospitals are in effect discriminating against O.P.S. in favor of such agencies as the Blue Cross, the State Industrial Accident Commission, the City of Portland and other non-profit organizations.

2. It is recommended that cooperating physicians take immediate steps to secure for O.P.S. open access to the medical records pertaining to any O.P.S. case. It has been contended by a few of the major hospitals that O.P.S. may have access to the medical records upon presentation of the written permission of the physician and the subscriber. In effect this amounts to refusal of access since the securing of such written authorizations is administratively impractical except in a few isolated cases. The fallacy of this position is well illustrated by the fact that several Portland hospitals permit O.P.S. representatives open access to all O.P.S. subscribers' records without requiring the authorizations mentioned.

3. It is recommended that the Supervisory Committee designate one of its members as the O.P.S. representative on the staff of each major Portland hospital. Under such an arrangement the Committee member could discuss extended hospitalized cases with attending physicians, assist the business office in its relationships with the hospital business office, and keep the hospital staff advised concerning O.P.S. It might be feasible to ask the Committee representative on each hospital staff to authorize in advance any hospitalization beyond twenty-one days.

4. It is recommended that the Committee take steps to arrange for the payment of "out patient" x-ray work at St. Vincents and Providence hospitals at the regular percentage of fee schedule paid to other cooperating physicians rather than at the present 100% of fee schedule.

IV. *ADMINISTRATION*

1. It is recommended that the Supervisory Committee assist the business office in securing desirable industrial contracts. This could be accomplished by assigning Committee members to work with O.P.S. field representatives in influencing owners of businesses

and employe groups. This has been a most effective procedure in securing desirable contracts in other parts of the state.

4946 2. As a long term program it is recommended that the furnishing of "initial case reports" be eliminated except on surgical and long drawn out medical cases. This would have to be accomplished over a period of time through education of participating physicians and their office employes to the provisions of O.P.S. contracts; but would materially lighten the administrative load and enable the business office to do a better job than at present.

3. It is recommended that the Committee review the "specialist classifications" as they appear on the O.P.S. published list of cooperating physicians—with the intent of eliminating from such listings those physicians who do not qualify as specialists by limiting their practices to a recognized specialty. At present there are a number of physicians listed as specialists who seemingly are conducting general practices.

4. It is recommended that certain of the specialty classifications be encouraged to cooperate with O.P.S. on a referral basis only. These classifications are Allergic Diseases (presently on a referral basis only), Brain and Nerve Surgery, Chest and Lung Diseases, Nervous and Mental Diseases (presently on referral basis only), Plastic and Reconstructive Surgery, X-Ray, Diagnosis and Therapy.

5. It is recommended that the Committee work out for the guidance of the O.P.S. business office some guides, standards or measurements that can be applied to the billings of cooperating physicians, both general practitioners and specialists, to determine whether or not that physician's relationship with O.P.S. should be subject to review by the Committee. This is doubtless a large order and a most difficult one. However, if the management of O.P.S. is to be responsible for calling questionable billing practices of cooperating physicians to the Committee's attention, it must have a general set of standards against which to measure the bills of any particular cooperating physician.

6. It is recommended that the terms of service of Committee members be rearranged to provide staggered

three year terms. As the operation of Oregon Physicians' Service becomes more complicated, it becomes increasingly more difficult for a new Committee member to orient himself to the job in the short period of one year. This recommendation would insure at least four experienced Committee members each year.

7. It is recommended that in selecting members of the Supervisory Committee, consideration be given to the appointment of at least one member of the staff of each major Portland hospital. It is our opinion that as time goes on the success of O.P.S. will be influenced by the degree of cooperation received from the various hospital staffs. An immediate consideration is the necessity for having some physician liaison between the Supervisory Committee and the staff of each hospital.

4947 Members of the Management Staff offer you the above suggestions knowing full well that some of them are incapable of adoption at this time, and that some will require the most careful study and adjustment.

Respectfully submitted,

O.P.S. ADMINISTRATIVE STAFF

Plaintiff's Exhibit 454

4948 OREGON PHYSICIANS' SERVICE

Organization Meeting of Board of Directors

Medford, Oregon
September 15, 1948

The meeting was held at 4 P. M. at the Rogue Valley Country Club in Medford, Oregon and was called to order by the Temporary Chairman, D. R. Ross.

Directors present were: D. R. Ross, J. P. Brennan, Gordon B. Leitch, C. I Drummond and L. M. Spalding. Other Class A Stockholders and/or Voting Trustees were present as follows: Henry Garnjobst and Roderic Belknap. Administrative personnel of Oregon Physicians' Service also were present as follows: Joseph E. Harvey, Jr., A. W. Knox, Justin B. Smith and W. C. Marshall.

Due notice of meeting was read and ordered filed.

A motion was duly carried that the reading of the minutes of the Board of Directors Meeting of September 4, 1948

shall be waived in view of the fact that each Director previously had received a copy of said minutes and that these minutes shall be approved.

Nominations were opened individually for the positions of President, Vice-President, Secretary and Treasurer for the ensuing year. Individual nominations and individual motions unanimously carried closing nominations and instructing the secretary to cast an unanimous ballot in each instance resulted in the election of officers for the ensuing year as follows: President, D. R. Ross; Vice-President, J. P. Brennan; Secretary, C. I. Drummond; Treasurer, Gordon B. Leitch. It was noted that the President automatically is a member of the Executive Committee as provided in the By-Laws. Nominations were opened for the other two positions on the Executive Committee for the ensuing year. Nominations individually made and separate motions individually carried unanimously for the closing of nominations and instructing of the Secretary to cast an unanimous ballot in each instance resulted in the election of the two additional members of the Executive Committee for the ensuing year, as follows: L. M. Spalding and J. P. Brennan.

4949 After discussion a motion was duly carried that standing sub-committees of the Board of Directors shall be temporarily dispensed with for the time being.

After consideration a motion was duly carried that Gordon B. Leitch shall be named as the Physician-Trustee representative of Oregon Physicians' Service in District XI of Associated Medical Care Plans and that W. C. Marshall shall be named as administrative representative for the same purpose and that the Board of Directors shall plan to name alternative representatives in the event that either of the designated representatives shall find it impossible at any time to attend any A. M. C. P. District XI Meetings.

Three proposed advertising programs for the 1948-49 season were given consideration. A motion was duly carried that the continuation of previous advertising and promotion activities shall be approved in principle and that the matter shall be referred to the Council of the Oregon State Medical Society for approval prior to the taking of any definite action in this regard.

After discussion a motion was duly carried that the next meeting of the Board of Directors shall be held in Portland, Oregon on October 16, 1948 providing that all necessary arrangements may be made for that date but that the alternative date for such meeting shall be October 2, 1948.

The President announced that a General Meeting of Oregon Physicians' Service Cooperating Physicians will be held at the Medford Armory at 8 P. M. of this same date and that all Trustees and Directors who could possibly arrange to attend should make every effort to do so.

Upon call from the President for consideration of unfinished business or new business, no additional business was presented.

The meeting adjourned in due form.

C. I. DRUMMOND M.D.
Secretary

Plaintiff's Exhibit 455

4950 REPORT OF THE COMMITTEE ON THE STUDY OF ORGEON PHYSICIANS' SERVICE AND OTHER VOLUNTARY PREPAYMENT PLANS

April 2, 1949

TO: The Council of the Oregon State Medical Society.

1. The Committee approves the principle of physician-owned prepaid medical service plans for middle and low income groups.

We believe that the operation of such plans in Oregon has not only been of great benefit to our subscribers, but has in addition served to raise the standards of other medical service plans in this state. The Committee feels, however, that continuous effort should be made to improve the operation of Oregon Physicians' Service to provide a greater degree of satisfaction to both subscribers and co-operating physicians.

2. The Committee believes that the loyalty and support of the average co-operating physician will be improved if each physician-stockholder has a direct vote in the election of the Board of Directors. To accomplish this the Committee makes the following recommendation:

> That the Corporate structure of Oregon Physicians' Service be changed to provide for a Board of Directors of eight members, each serving a four-year term, two to be replaced each year; at an annual meeting of the stock-holders (co-operating physicians). The Board of Directors to be chosen from among the mem-

bership of the co-operating physicians, with the provision that not more than three shall be from any one county.

That the new organization of Oregon Physicians' Service shall comply with the ethical standards set up by the Oregon State Medical Society and that the policies of operation shall at all times be subject to the direction of the House of Delegates and/or the Council of the Oregon State Medical Society.

If this change in corporate structure is made, we believe serious consideration should be given to the advisability of forming Oregon Physician's Service as a non-profit corporation. From its study of the activities of Oregon Physicians' Service the Committee is convinced that Oregon Physicians' Service has actually operated as a non-profit corporation from its inception, but the Committee believes there may be an advantage in having the name and structure of a non-profit corporation.

4951 - 3. The studies of the Committee show very definitely that the inability of Oregon Physicians' Service to continuously pay 100% of its fee schedule and accumulate an adequate reserve has been a constant source of dissatisfaction, disharmony, and misunderstanding among cooperating physicians and also among subscribers who have learned of the situation. To correct this situation, the Committee offers the following recommendation:

That the Board of Directors of Oregon Physicians' Service utilise the actuarial information which it now has available (and to continue to accumulate such information) concerning contracts covering different types of industries and different groups of workers and individuals, to make such changes in premium rates and/or place such limitations on service as may be necessary to accomplish the following purposes:

(1) To place Oregon Physicians' Service on a more sound economic basis, and

(2) To permit those groups of subscribers who show the best experience rating to benefit by lowered premium rates or increased service or both.

4. The studies of this Committee also reveal that a large number of physicians believe that the increase in our premium rates has not kept pace with the increased cost of hospital service, so that a portion of this service is being

paid for with funds which would otherwise be available for physicians' fees. To correct this situation the committee makes the following recommendation:

a) That in areas of the state where it seems economically feasible or expedient to do so, Oregon Physicians' Service shall continue to sell combined medical and hospital service as it does at present; with the provision that proper separate bookkeeping accounts be set up (including apportionment of overhead) which will accurately represent the cost of providing hospital service. That an amount which will cover this cost be included in the premium rate (and so indicated) and that this portion of the premium rate be changed from time to time as hospital expenses vary.

b) That in any area of the state where it does not seem to be economically sound or expedient for Oregon Physicians' Service to sell both medical and hospital service as provided in a); the Board of Directors may enter into an agreement with some other organization which will assume the responsibility for hospital coverage, thereby offering a two-part contract; Oregon Physicians' Service to assume liability for medical service, the other organization to assume liability for hospital service.

Plaintiff's Exhibit 456

4952

OREGON PHYSICIANS' SERVICE
SUPERVISORY COMMITTEE FOR
MULTNOMAH COUNTY

Meeting—March 8, 1948 — 6:30 P.M., Rose Room, Mallory Hotel

Attending: Drs. R. H. Swinney, Chairman, A. M. Boyden, C. L. Booth, G. R. McCutchan, R. H. Kaufman, H. F. Riedel and T. J. Pasquesi. Dr. S. F. Crynes was present as the Committee's guest. O.P.S. administrative personnel present: W. C. Marshall, J. E. Harvey, Jr., K. J. Manning, T. H. Hammond, C. W. Kincaid and W. A. Sundberg.

Minutes of the Committee's regular meeting of January 19, 1948 and the special meeting of February 23, 1948 were read and approved.

A summary of the Multnomah County Division's finances for the calendar year 1947 was presented, and accepted by the Committee for further study.

An inquiry from Dr. Harold H. Erickson, of the Oregon State Board of Health, concerning the disposition of the clinical records accumulated at Vanport City Hospital during the time Oregon Physicians' Service operated said hospital was referred to the Council of the Multnomah County Medical Society.

Mr. W. C. Marshall reported that as the result of previous Committee action concerning premium rates for "Pay Office" subscribers and small groups, the monthly rate for Pay Office subscribers had been increased to $3.50 per month, beginning April 1, 1948. Mr. Marshall explained that no action had been taken on the Committee's second recommendation concerning the premium rate for small groups; that the O.P.S. management believed additional emphasis on the installation of Family Coverage in present O.P.S. employes groups would accomplish the Committee's aim in a logical and sound manner. Following discussion, the Committee by motion duly made and carried voted to table its previous recommendation concerning rate increases for small groups. The vote was six to one, Dr. C. L. Booth dissenting.

Following discussion of O.P.S. premium rates to subscribers, and in view of an anticipated increase in hospital ward rates, a motion was duly made, seconded and carried recommending to the Oregon Physicians' Service Board of Directors that it give serious consideration to increasing the employe group premium rate from $3.00 to $3.50 per month.

The O.P.S. management made a report of its plans for conducting additional meetings of cooperating O.P.S. physicians throughout Multnomah County; and for two larger meetings of cooperating physicians' office employes. The purpose of the series of meetings was stated to be to familiarize cooperating physicians and their employes with the organization of O.P.S.; to acquaint them with the new handbook and schedule of fees; and to provide an opportunity for questions and answers concerning the handling of O.P.S. cases.

After some discussion, the Committee authorized management to proceed with its plans for the series of meetings. It was tentatively announced that a meeting of cooperating physicians practicing in the southeast and south-

west Portland districts had been set for March 22, 1948.

4953 Mr. W. C. Marshall explained the Northwest Regional Conference of the Council on Medical Service and the Council on Industrial Health of the American Medical Association. After discussion, the Committee authorized Dr. R. H. Swinney to attend this conference as a representative of the Multnomah County Supervisory Committee. The expenses of the trip were authorized defrayed by the Multnomah County Division of O.P.S.

A request from the Clark County Medical Service Bureau of Vancouver, Washington for assistance in determining its liability for services rendered one of its subscribers by two O.P.S. cooperating physicians, Drs. Arch W. Diack and John D. Welch was read. The Committee asked that the Clark County Bureau be advised that in its opinion the case was of a serious nature involving two separate conditions, one medical and one surgical; and that had the problem arisen under Oregon Physicians' Service the Committee would have authorized payment of fees to both attending physicians.

Discussions with Dr. Frank Perlman, representing Drs. Benson and Perlman, Allergists, concerning participation in O.P.S. were reported. The Committee authorized management to proceed with negotiations as outlined and to invite Drs. Benson and Perlman to participate as consulting specialists in allergy, taking only such O.P.S. cases as were referred to them by other O.P.S. cooperating physicians.

A letter from Dr. Thomas S. Saunders representing the Dermatologists practicing in the Portland area was read to the effect that the $7.50 fee for superficial X-ray therapy as contained in the new O.P.S. fee schedule was excessive in comparison with charges to private patients. The Dermatologists recommended a fee of $5.00 for this procedure.

Inasmuch as cooperating Radiologists also administer this type of treatment the Committee asked Dr. C. L. Booth to discuss the matter with both groups and to report to the Committee at its next regular meeting.

Correspondence from Dr. H. A. Dickel requesting the Committee's recognition of a special type of physiotherapy given in conjunction with psychotherapeutic treatment was read. The Committee authorized management to recognize this type of physiotherapy and to make appropriate allowances over and above the fee established for psychotherapeutic interviews; but in no event to recognize a maximum

weekly charge for psychotherapy and physiotherapy together in excess of $20.00.

In response to questions from the O.P.S. management, the Committee established the following principles for use in auditing cooperating physicians' bills.

1. Postoperative x-ray and laboratory work done to follow the progress and/or to check the results of surgery are payable in addition to the flat fees for surgery.
2. A fee for cystoscopy done under the same anesthesia as major surgery is to be included in the fee for the major surgery.
3. Repeat cystoscopies and spinal punctures should carry fees of $15.00 and $7.50 respectively.

4954 Claims:

1. Mrs. Edward Bergman — Dr. L. P. Gambee

The Committee approved Dr. Gambee's bill for excision of a parotid gland tumor in the amount of $200.00.

2. Mr. Neil Bennett — Drs. Johnsrud and Fitzgibbon

The Committee adjusted Dr. Fitzgibbon's bill for care of this patient by deleting charges for hospital calls from September 1, 1947 through September 16, 1947. This action follows the Committee's ruling that ordinary aftercare is included in the flat fee paid the surgeon.

3. Mrs. Marye Bilodeaux — Dr. P. S. Garnett, Chehalis, Wash.
Seattle Neurological Institute

The Committee authorized payment of Dr. P. S. Garnett's bill for care of a fractured cervical spine in the amount of $75.00. A neurological examination in the amount of $25.00 and mileage at $.75 per mile one way from Seattle to Chehalis was authorized paid to the Seattle Neurological Institute.

* * * * * *

4955 9. Viola Ronspiess — Dr. George W. Taylor

A letter from Dr. Taylor commenting on the history of this case was read. The Committee declined to assume responsibility for Dr. Taylor's care of this case—in spite of O.P.S. having assumed liability for previous treatment of the same condition by other cooperating phy-

sicians—on the ground that it now appears Miss Ronspiess' illness predated her membership in O.P.S. and must therefore be classed as a preexisting condition.

* * * * *

There being no further business the meeting was adjourned at 12:10 A.M., on the morning of March 9, 1948.

(Signed) R. H. SWINNEY
R. H. Swinney, M.D., Chairman

Plaintiff's Exhibit 457

4956 October 12, 1948

Dr. T. Homer Coffen
707 Standard Ins. Bldg.
Portland 5, Oregon

Dear Doctor Coffen:

Thank you for your views on O.P.S.—we will see that your letter is called to the attention of the proper governing bodies in O.P.S.

Those of us in the business office full well realize that the experience during the past few years has left something to be desired, particularly in some of the specialty fields of medical practice. It is interesting to us to note that your main objection is the "percentage" of fee schedule paid rather than the listed fees for the various services rendered by the specialists in diagnosis and internal medicine. As a matter of fact, the present listed schedule of fees for specialists in diagnosis and internal medicine represents almost in its entirety a recommendation of a Committee of Multnomah County Internists appointed by the County Medical Society some two years ago to study and recommend to O.P.S. concerning the relationship between it and specialists in your field. The percentage of fee schedule paid to cooperating physicians is of course determined largely by (1) the degree of practical cooperation and help received from cooperating physicians as a whole, (2) a demand for medical care under our contracts, (3) the rates being charged our subscribers for membership in O.P.S. It is the writer's personal opinion that the above items are listed in order of their importance to the percentage of fee schedule that O.P.S. has been able to pay.

Just as a matter of information, services rendered O.P.S. subscribers by hospitals (including laboratory and x-ray work billed to us as a part of the hospital bill) are paid at 100% of the amount billed. This situation is occasioned by the fact that O.P.S. has no contracts with the hospitals calling for payment on any schedule of fees and is actually in the identical position to the non-insurance patient who requires hospital services. In contrast to this situation the cooperating physicians of O.P.S. underwrite the entire O.P.S. program by agreeing to accept as full payment for their services their "pro rata" shares of the funds available after payment of such other costs as hospitalization, special nursing, dental care, administration, etc.

Thank you again for your letter; the very fact that you would take the time to write it indicates a desire to see the situation improve.

Sincerely yours,

OREGON PHYSICIANS' SERVICE

Assistant General Manager

JEH:mah

Plaintiff's Exhibit 458

4957 DIVISION AGREEMENT BETWEEN PHYSICIANS OF SALEM, OREGON AND OREGON PHYSICIANS' SERVICE

THIS MEMORANDUM OF UNDERSTANDING made and entered into as of the 25th day of March, 1943, between OREGON PHYSICIANS' SERVICE, an Oregon Corporation, hereinafter referred to as O.P.S., and the Physicians of Salem, Oregon, hereinafter referred to as the Physicians, WITNESSETH:

1. It is contemplated that, after the mutual approval of this understanding, O.P.S. will enter into contracts with certain industrial and other organizations, associations and corporations in Salem, Oregon, and environs, for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accomodations and services, dental and other benefits as contemplated by the corporate powers of O.P.S. and defined in the contracts which it may enter into.

2. It is further contemplated that the individual physicians stipulated herein shall hereafter become stockholders in O.P.S., and shall become the Staff of Physicians

in Salem, Oregon for the rendering of service to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations applicable to contracts in the area above described, and the relations between O.P.S. and the physicians constituting its Staff in said area.

3. Any Salem member of the Marion-Polk Medical Society shall be eligible to become a member of the said Division Staff of O.P.S. providing however, that he must be elected to membership in the Division staff by favorable vote of a majority of O.P.S. Class A Stockholders located in Salem. Each member shall purchase two shares
4958 of the class AA capital stock of O.P.S. and shall execute an individual staff agreement a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital stock shall be Twenty-Five Dollars ($25.00) per share. No attempt shall be made by O.P.S. to expel, suspend or otherwise discipline any member of the Salem Division Staff, except upon the prior recommendation of a majority of said Staff. No physician shall be admitted to the Division Staff until after certification of eligibility by the Division Supervisory Committee.

4. The membership of the Salem Division shall annually elect seven of their number to constitute a Supervisory Committee. The time and method of election of the members of the Supervisory Committee shall be determined by the Salem Division Staff at its first meeting after the approval of this understanding. This committee shall designate all contracts to be entered into by O.P.S. in Salem and environs, and shall confer with the management of O.P.S. in regard to the handling of all matters connected with the services to be rendered under such contracts.

5. Payments for services rendered by members of the Salem Division Staff to persons requiring treatment under O.P.S. contracts in Salem and environs shall be made according to the schedules which shall be agreed upon from time to time by and between said Supervisory Committee and the management of O.P.S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contracted parties, hospital services, medical and surgical services in emergencies or for patients referred

to physicians located outside of Salem, stipulated medicines and drugs, ambulance services and all other services specified in O.P.S. contracts, have been paid in full.

6. The management of O.P.S. shall handle and have charge of all administration and acquisition for the said Salem Division under the direction of said Supervisory Committee, and all moneys representing dues on contracts covering the business transacted in Salem and environs be collected by and paid to O.P.S. at its main office in Salem, Oregon. The actual cost of administration of contracts held in Salem District shall be deducted by O.P.S. from contract collections in said District to cover the cost of professional liability insurance, proper licensed, reserve funds and indemnity bonds as required by the laws of Oregon, or deemed advisable by the Board of Directors of O.P.S., in maintaining the corporate structure; and to cover the actual cost of acquisition and administration of the contracts incident to the business transacted in the said District.

7. It is understood that all moneys received by O.P.S. under its contracts incident to business transacted in the Salem District, except the administrative charge above provided for, shall be used to furnish services to the persons covered under O.P.S. contracts in said District, and that all bills for stipulated medicines, hospitals accomodations, and services of dentists, physicians and surgeons are to be paid from the balance of moneys collected from said Division contracts, in the manner above specified, after the deduction of the above described administrative charge.

8. It is particularly understood and agreed that the accounts of O.P.S. relative to its business in Salem and environs shall be kept separate and distinct from all of its other business and that no part of the income from said District shall be applied to the payment of any expenses of administration and acquisition relative to any other business done by O.P.S., or be diverted to the payment of bills for services to subscribers under O.P.S. contracts in other areas. O.P.S. shall not be required to pay any expenses, bills, or charges of any nature arising from its Salem operations, except from moneys received from the operations of O.P.S. in said District. All surpluses arising from Salem Division operations of O.P.S. shall be divided among the physician members of said Division in proportion to the fees earned by said physicians

during the preceding fiscal year. Surpluses arising from O.P.S. contracts in Districts other than said Salem Division shall be the property of the staff physicians in those Districts, and no part of such surpluses shall be credited to or paid to members of the Salem Staff.

9. The management of O.P.S. shall submit to the aforementioned Supervisory Committee at agreed periodic intervals statements of all bills received for medical, hospital and attendant services rendered to persons covered by O.P.S. contracts in Salem and environs.

10. This MEMORANDUM OF UNDERSTANDING may be terminated by either party hereto, effective the thirty first day of December of any year subsequent to the effective date of this memorandum by the giving of written notice of such termination to the other party at least ninety (90) days prior to such termination date. In the event of such termination, the physicians subscribing hereto nevertheless agree to render services under the contracts of O.P.S. in said District in accordance with this memorandum until such time as all contractual obligations of O.P.S. in said District have expired.

The principles set forth in this MEMORANDUM OF UNDERSTANDING and STAFF AGREEMENT were approved by the Supervisory Committee of the Salem Division, on behalf of the Division, on the 25th day of March, 1943.

Attest:

(Signed) D. R. Ross
Chairman

(Signed) A. T. KING
Secretary

4961 The above MEMORANDUM OF UNDERSTANDING and STAFF AGREEMENT were executed, pursuant to authority heretofore granted by the Board of Directors of Oregon Physicians' Service, as of the 25th day of March, 1943.

OREGON PHYSICIANS' SERVICE

By (Signed) W. C. MARSHALL
General Manager

4962 STAFF AGREEMENT BETWEEN THE UNDERSIGNED PHYSICIAN, AND OREGON PHYSICIANS' SERVICE

This agreement made and entered into by and between OREGON PHYSICIANS' SERVICE, an Oregon corporation, and the undersigned PHYSICIAN, WITNESSETH:

1. Attached hereto is a memorandum of understanding between Oregon Physicians' Service and the Physicians of Salem, Oregon, which by this reference is made a part hereof. The undersigned physician agrees that in becoming a stockholder in Oregon Physicians' Service and a member of its Salem Division Staff, that his rights, privileges and duties, and the manner of his compensation shall be determined as in the said attached agreement provided. Oregon Physicians' Service agrees that its conduct of its affairs in said Salem Division, and its relation to the said Salem staff shall be governed by the provisions of the attached agreement.

2. It is understood that Oregon Physicians' Service has, and will continue to enter into certain agreements with said Salem Physicians which agreements relate only to subscribers covered under contracts located outside of the Salem District. It is understood that the agreements described in this paragraph bear no relation to, and are in no way affected by this agreement.

Executed on behalf of Oregon Physicians' Service this day of , 194 , and by the undersigned Physician of the date indicated after his signature hereto.

OREGON PHYSICIANS' SERVICE

by

General/Division Manager

_____

Physician

_____

Date

_____

Address

Plaintiff's Exhibit 459

4963 AGREEMENT

This MEMORANDUM OF UNDERSTANDING made and entered into as of the 3rd day of September, 1948, between OREGON PHYSICIANS' SERVICE, an Oregon corporation hereinafter referred to as O. P. S., and the COOPERATING PHYSICIANS OF DOUGLASS COUNTY WHO HOLD COOPERATING AGREEMENTS WITH O. P. S., hereinafter referred to as the Cooperating Physicians, WITNESSETH:

1. This agreement shall apply to the above-stated area and is entered into by said Cooperating Physicans who heretofore have elected, or hereafter shall elect, to become members and stockholders in O. P. S.

2. It is understood that O. P. S. has entered into, and will continue to enter into, contracts with certain industrial and other organizations, associations and corporations, individuals and families, in the above-stated area for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accommodations and services, dental and other benefits as contemplated by the corporate powers of O. P. S. and as defined in the contracts which it may enter into.

3. It is further contemplated that said Cooperating Physicians have become, or shall hereafter become, members and stockholders in O. P. S., and shall constitute the staff of physicians for the rendering of services to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations pertaining to the contracts above described and the relations between O. P. S. and the said Cooperating Physicians constituting its staff in the above-stated area.

4. Any physician who shall be engaged in practice in said area and who shall be a member in good standing of the Douglas County Medical Society and/or the Oregon State Medical Society, shall be eligible to become a stockholder of, and a member of the said area staff of O. P. S. Each such member shall purchase two shares of Class AA Capital Stock of O. P. S. (excepting that any member residing in a community of less than one thousand population shall purchase one share of said stock) and shall execute an individual staff agreement, a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital stock shall be twenty-five

dollars ($25.00) per share. No physician shall be admitted to said area staff excepting upon due proof that he
4964 is engaged in practice in said county and upon certification that such physician is a member in good standing of the Douglas County Medical Society and/or the Oregon State Medical Society.

5. Payments by O. P. S. for services rendered by members of the said area staff to persons requiring treatment under O. P. S. contracts in said county shall be made primarily according to the fee schedule or schedules which shall be agreed upon from time to time by and between the Cooperating Physicians of said area and the Board of Directors of O. P. S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contracted parties in said area, hospital services, medical and surgical services in emergencies or for patients referred to physicians not participating in this agreement, stipulated medicines and drugs, ambulance services and all other services specified in O. P. S. contracts, have been paid in full. While initial payments made by O. P. S. to the Cooperating Physicians of said area for services rendered to O. P. S. contract subscribers shall be based primarily on the above-mentioned fee schedule or schedules, it is specifically agreed that full payment of services rendered to any Cooperating Physician of said area shall constitute said Cooperating Physician's full relative share of all funds available during any accounting period for the payment of services rendered by all Cooperating Physicians of said area during that period, regardless of whether such payments may be made in one or more installments. Such above-mentioned fee schedule or schedules shall be used as a basis for calculating fee payments but full payment of said area Cooperating Physicians for any accounting period may be made at a level higher or lower than such schedule or schedules in accordance with the operating experience encountered for such period.

6. The management of O. P. S., under the direction of the Board of Directors of O. P. S., is to handle and have charge of all administration and acquisition work required in connection with contracts located in the area specified herein, and all moneys representing dues on contracts covering the business transacted in said area shall be col-

lected by and paid to O. P. S. at a place selected by
4965 it. The average statewide O. P. S. operating charge
will be made by O. P. S. against all contract collections in the area, to cover the cost of professional liability insurance, licenses, reserve funds and indemnity bonds as required by the laws of Oregon, or deemed advisable by the Board of Directors of O. P. S., in maintaining the corporate structure; and to cover the actual cost of acquisition and administration of the contracts incident to the business transacted in the area.

7. It is understood that all moneys received by O. P. S. under its contracts incident to business transacted in the area, except the administrative charge above provided for, shall be used to furnish services to the persons covered under O. P. S. contracts in the area, and that all bills for stipulated medicines, hospital accommodations, and services of dentists, physicians and surgeons are to be paid from the balance of moneys collected from area contracts, in the manner above specified, after the deduction of the above described administrative charge.

8. It is further agreed that the accounts of O. P. S. relative to its business in the area shall be kept separate and distinct from all of its other business and that no part of the income from the area shall be applied to the payment of any expenses of administration and acquisition relative to any other business done by O. P. S., or be diverted to the payment of bills for services to subscribers under O. P. S. contracts in other areas not involved in this agreement. O. P. S. shall not be required to pay any expenses, bills or charges of any nature arising from its area operations, except from moneys received from the operations of O. P. S. in the area.

9. This MEMORANDUM OF UNDERSTANDING shall be kept in full force and effect for the period of one year beginning with the date first hereinabove written, but may be continued thereafter from year to year by agreement of the parties hereto. It may be terminated by either party hereto; effective at any future date, by the giving of written notice of such termination by one party to the other party at least ninety (90) days prior to such termination date. In the event of such termination, the physicians participating hereunder nevertheless agree to render services under the contracts of O. P. S. in the above-stated area in ac-

cordance with this memorandum until such time as all contractual obligations of O. P. S. in the said area have expired.

4966 IN WITNESS WHEREOF Oregon Physicians' Service has caused this MEMORANDUM OF UNDERSTANDING to be duly executed by its President and Secretary as of the day and year first hereinabove written.

OREGON PHYSICIANS' SERVICE

By (Signed) D. R. Ross
President

By (Signed) C. I. DRUMMOND, M.D.
Secretary

The Cooperating Physicians of Douglas County, Oregon have indicated their approval of this MEMORANDUM OF UNDERSTANDING as of the 3 day of Sept., 1948.

COOPERATING PHYSICIANS of DOUGLAS COUNTY

By (Signed) Illegible
President

By (Signed) J. E. LAMPHELL
Secretary

4967 OREGON PHYSICIANS' SERVICE

COOPERATING PHYSICIAN'S AGREEMENT

This agreement made and entered into by and between the OREGON PHYSICIANS' SERVICE, an Oregon Corporation, and the undersigned PHYSICIAN, WITNESSETH:

That for and in consideration of the mutual benefits that will accrue to each of the parties hereto and to the Medical Profession of the State of Oregon, it is hereby agreed that the compensation to be paid by OREGON PHYSICIANS' SERVICE and accepted by PHYSICIAN for medical or surgical service which PHYSICIAN may render to OREGON PHYSICIANS' SERVICE subscribers from time to time, shall be as follows:

1. Charges by PHYSICIAN for services rendered to subscribers to OREGON PHYSICIANS' SERVICE, shall be initially based upon the fee schedule approved by the Directors of OREGON PHYSICIANS' SERVICE; provided, however, that said charges shall be subject to the ap-

proval of OREGON PHYSICIANS' SERVICE; and provided, further, that settlements between OREGON PHYSICIANS' SERVICE and PHYSICIAN shall be quarterly unless it should be decided by OREGON PHYSICIANS' SERVICE to make such payments monthly.

2. As full consideration for services rendered by PHYSICIAN hereunder, OREGON PHYSICIANS' SERVICE agrees to pay, and PHYSICIAN agrees to accept, such percentage of PHYSICIAN's base fees for services rendered hereunder during each quarterly period as the total net income of OREGON PHYSICIANS' SERVICE during such quarterly period bears to the total fees of all OREGON PHYSICIANS' SERVICE physicians charged and approved hereunder during such period. Settlement made each period shall be final with respect to all charges of each physician made and approved hereunder during such period. It is further agreed that present or future OREGON PHYSICIANS' SERVICE Divisional Agreements involving separate actuarial pooling of funds shall not be involved or affected by this agreement.

This agreement may be terminated with respect to either party hereto by either party giving to the other, ninety (90) days notice in writing.

PHYSICIAN requests that his relationship to OREGON PHYSICIANS' SERVICE be as indicated below: (Please check ONE.)

1. General staff————
2. Consulting staff only————
   Specialty————
3. Available for service to own patients only—name not to be included in published staff list————
4. Approve the organization, but not available for service by reason of type of specialty practice, or governmental or institutional employment————

Executed on behalf of OREGON PHYSICIANS' SERVICE this day of , 19 , and by the undersigned

PHYSICIAN on the date indicated after his signature hereto.

OREGON PHYSICIANS' SERVICE

by

General/Division Manager

Physician

Date

Address

Please complete and sign both copies and mail to OREGON PHYSICIANS' SERVICE, 471 Pittock Block, Portland 5, Oregon. A fully executed copy will be returned for your records.

Plaintiff's Exhibit 460

4968

AGREEMENT

This MEMORANDUM OF UNDERSTANDING made and entered into as of the 1st day of October, 1948, between OREGON PHYSICIANS' SERVICE, an Oregon corporation, hereinafter referred to as O. P. S., and the COOPERATING PHYSICIANS OF COLUMBIA COUNTY WHO HOLD COOPERATING AGREEMENTS WITH O. P. S., hereinafter referred to as the Cooperating Physicians, WITNESSETH:

1. This agreement shall apply to the above-stated area and is entered into by said Cooperating Physicians who heretofore have elected, or hereafter shall elect, to become members and stockholders in O. P. S.

2. It is understood that O. P. S. has entered into, and will continue to enter into, contracts with certain industrial and other organizations, associations and corporations, individuals and families, in the above-stated area for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accomodations and services, dental and other benefits as contemplated by the corporate powers of O. P. S. and as defined in the contracts which it may enter into.

3. It is further contemplated that said Cooperating Physicians have become, or shall hereafter become, members and stockholders in O. P. S., and shall constitute the staff

of physicians for the rendering of services to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations pertaining to the contracts above described and the relations between O. P. S. and the said Cooperating Physicians constituting its staff in the above-stated area.

4. Any physician who shall be engaged in practice in said area and who shall be a member in good standing of the Columbia County Medical Society and/or the Oregon State Medical Society, shall be eligible to become a stockholder of, and a member of the said area staff of O. P. S. Each such member shall purchase two shares of Class AA Capital Stock of O. P. S. (excepting that any member residing in a community of less than one thousand population shall purchase one share of said stock) and shall execute an individual staff agreement, a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital stock shall be twenty-five dollars ($25.00) per share. No physician shall be 4969 admitted to said area excepting upon due proof that he is engaged in practice in said county and upon certification that such physician is a member in good standing of the Columbia County Medical Society and/or the Oregon State Medical Society.

5. Payments by O. P. S. for services rendered by members of the said area staff to persons requiring treatment under O. P. S. contracts in said county shall be made primarily according to the fee schedule or schedules which shall be agreed upon from time to time by and between the Cooperating Physicians of said area and the Board of Directors of O. P. S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contract parties in said area, hospital services, medical and surgical services in emergencies or for patients referred to physicians not participating in this agreemen stipulated medicines and drugs, ambulance services and all other services specified in O. P. S. contracts, have been paid in full. While initial payments made by O. P. S. to the Cooperating Physicians of said area for services rendered to O. P. S. contract subscribers shall be based primarily on the above-mentioned fee schedule or schedules; it is specifically agreed that full payment of services rendered to any Cooperating Physician of said area shall con-

stitute said Cooperating Physician's full relative share of all funds available during any accounting period for the payment of services rendered by all Cooperating Physicians of said area during that period, regardless of whether such payments may be made in one or more installments. Such above-mentioned fee schedule or schedules shall be used as a basis for calculating fee payments but full payment of said area Cooperating Physicians for any accounting period may be made at a level higher or lower than such schedule or schedules in accordance with the operating experience encountered for such period.

6. The management of O. P. S., under the direction of the Board of Directors of O. P. S., is to handle and have charge of all administration and acquisition work required in connection with contracts located in the area specified herein, and all moneys representing dues on contracts covering the business transacted in said area shall be collected by and paid to O. P. S. at a place selected by
4970 it. The average statewide O. P. S. operating charge will be made by O. P. S. against all contract collections in the area, to cover the cost of professional liability insurance, licenses, reserve funds and indemnity bonds as required by the laws of Oregon, or deemed advisable by the Board of Directors of O. P. S., in maintaining the corporate structure; and to cover the actual cost of acquisition and administration of the contracts incident to the business transacted in the area.

7. It is understood that all moneys received by O. P. S. under its contracts incident to business transacted in the area, except the administrative charge above provided for, shall be used to furnish services to the persons covered under O. P. S. contracts in the area, and that all bills for stipulated medicines, hospitals accommodations, and services of dentists, physicians and surgeons are to be paid from the balance of moneys collected from area contracts, in the manner above specified, after the deduction of the above described administrative charges.

8. It is further agreed that the accounts of O. P. S. relative to its business in the area shall be kept separate and distinct from all of its other business and that no part of the income from the area shall be applied to the payment of any expenses of administration and acquisition relative to any other business done by O. P. S., or be diverted to the payment of bills for services to subscribers under O. P. S.

contracts in other areas not involved in this agreement. O. P. S. shall not be required to pay any expenses, bills or charges of any nature arising from its area operations, except from moneys received from the operations of O. P. S. in the area.

9. This MEMORANDUM OF UNDERSTANDING shall be kept in full force and effect for the period of one year beginning with the date first hereinabove written, but may be continued thereafter from year to year by agreement of the parties hereto. It may be terminated by either party hereto, effective at any future date, by the giving of written notice of such termination by one party to the other party at least ninety (90) days prior to such termination date. In the event of such termination, the physicians participating hereunder nevertheless agree to render services under the contracts of O. P. S. in the above-stated area in accordance with this memorandum until such time as all contractual obligations of O. P. S. in the said area have expired.

4971 IN WITNESS WHEREOF Oregon Physicians' Service has caused this MEMORANDUM OF UNDERSTANDING to be duly executed by its President and Secretary as of the day and year first hereinabove written.

OREGON PHYSICIANS' SERVICE

By (Signed) D. R. Ross
President

By (Signed) C. I. DRUMMOND M.D.
Secretary

The Cooperating Physicians of Columbia County, Oregon have indicated their approval of this MEMORANDUM OF UNDERSTANDING as of the 1st day of Oct., 1948.

COOPERATING PHYSICIANS OF COLUMBIA COUNTY

By (Signed) JOHN C. BARTON
President

By (Signed) J. B. STEWART
Secretary

Plaintiff's Exhibit 461

4972

AGREEMENT

This MEMORANDUM OF UNDERSTANDING made and entered into as of the 1st day of October, 1948, between OREGON PHYSICIANS' SERVICE, an Oregon corporation, hereinafter referred to as O. P. S., and the COOPERATING PHYSICIANS OF YAMHILL COUNTY WHO HOLD COOPERATING AGREEMENTS WITH O. P. S., hereinafter referred to as the Cooperating Physicians, WITNESSETH:

1. This agreement shall apply to the above-stated area and is entered into by said Cooperating Physicians who heretofore have elected, or hereafter shall elect, to become members and stockholders in O. P. S.

2. It is understood that O. P. S. has entered into, and will continue to enter into, contracts with certain industrial and other organizations, associations and corporations, individuals and families, in the above-stated area for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accommodations and services, dental and other benefits as contemplated by the corporate powers of O. P. S. and as defined in the contracts which it may enter into.

3. It is further contemplated that said Cooperating Physicians have become, or shall hereafter become, members and stockholders in O. P. S., and shall constitute the staff of physicians for the rendering of services to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations pertaining to the contracts above described and the relations between O.P.S. and the said Cooperating Physicians constituting its staff in the above-stated area.

4. Any physicians who shall be engaged in practice in said area and who shall be a member in good standing of the Yamhill County Medical Society and/or the Oregon State Medical Society, shall be eligible to become a stockholder of, and a member of the said area staff of O.P.S. Each such member shall purchase two shares of Class AA Capital Stock of O.P.S. (excepting that any member residing in a community of less than one thousand population shall purchase one share of said stock) and shall execute an individual staff agreement, a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital stock shall be twenty-five

dollars ($25.00) per share. No physician shall be admitted to said area staff excepting upon due proof that he
4973 is engaged in practice in said county and upon certification that such physician is a member in good standing of the Yamhill County Medical Society and/or the Oregon State Medical Society.

5. Payments by O. P. S. for services rendered by members of the said area staff to persons requiring treatment under O. P. S. contracts in said county shall be made primarily according to the fee schedule or schedules which shall be agreed upon from time to time by and between the Cooperating Physicians of said area and the Board of Directors of O. P. S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contracted parties in said area, hospital services, medical and surgical services in emergencies or for patients referred to physicians not participating in this agreement, stipulated medicines and drugs, ambulance services and all other services specified in O.P.S. contracts, have been paid in full. While initial payments made by O. P. S. to the Cooperating Physicians of said area for services rendered to O. P. S. contract subscribers shall be based primarily on the above-mentioned fee schedule or schedules, it is specifically agreed that full payment of services rendered to any Cooperating Physician of said area shall constitute said Cooperating Physician's full relative share of all funds available during any accounting period for the payment of services rendered by all Cooperating Physicians of said area during that period, regardless of whether such payments may be made in one or more installments. Such above-mentioned fee schedule or schedules shall be used as a basis for calculating fee payments but full payment of said area Cooperating Physicians for any accounting period may be made at a level higher or lower than such schedule or schedules in accordance with the operating experience encountered for such period.

6. The management of O. P. S., under the direction of the Board of Directors of O. P. S., is to handle and have charge of all administration and acquisition work required in connection with contracts located in the area specified herein, and all moneys representing dues on contracts covering the business transacted in said area shall be

collected by and paid to O. P. S. at a place selected
4974 by it. The average statewide O. P. S. operating charge will be made by O. P. S. against all contract collections in the area, to cover the cost of professional liability insurance, licenses, reserve funds and indemnity bonds as required by the laws of Oregon, or deemed advisable by the Board of Directors of O. P. S., in maintaining the corporate structure; and to cover the actual cost of acquisition and administration of the contracts incident to the business transacted in the area.

7. It is understood that all moneys received by O. P. S. under its contracts incident to business transacted in the area, except the administrative charge above provided for, shall be used to furnish services to the persons covered under O. P. S. contracts in the area, and that all bills for stipulated medicines, hospital accommodations, and services of dentists, physicians and surgeons are to be paid from the balance of moneys collected from area contracts, in the manner above specified, after the deduction of the above described administrative charge.

8. It is further agreed that the accounts of O. P. S. relative to its business in the area shall be kept separate and distinct from all of its other business and that no part of the income from the area shall be applied to the payment of any expenses of administration and acquisition relative to any other business done by O. P. S., or be diverted to the payment of bills for services to subscribers under O. P. S. contracts in other areas not involved in this agreement. O. P. S. shall not be required to pay any expenses, bills or charges of any nature arising from its area operations, except from moneys received from the operations of O. P. S. in the area.

9. This MEMORANDUM OF UNDERSTANDING shall be kept in full force and effect for the period of one year beginning with the date first hereinabove written, but may be continued thereafter from year to y ar by agreement of the parties hereto. It may be terminated by either party hereto, effective at any future date, by the giving of written notice of such termination by one party to the other party at least ninety (90) days prior to such termination date. In the event of such termination, the physicians participating hereunder nevertheless agree to render services under the contracts of O. P. S. in the above-stated area in accordance with this memorandum until such time as all contractual obligations of O. P. S. in the said area have expired.

4975 IN WITNESS WHEREOF Oregon Physicians' Service has caused this MEMORANDUM OF UNDERSTANDING to be duly executed by its President and Secretary as of the day and year first hereinabove written.

OREGON PHYSICIANS' SERVICE

By (Signed) D. R. Ross
President

By (Signed) C. I. DRUMMOND M. D.
Secretary

The Cooperating Physicians of Yamhill County, Oregon have indicated their approval of this MEMORANDUM OF UNDERSTANDING as of the 1st day of October, 1948.

COOPERATING PHYSICIANS OF YAMHILL COUNTY

By (Signed) W. T. Ross
President

By (Signed) K. C. VANZY
Secretary

Plaintiff's Exhibit 462

4976 AGREEMENT

This MEMORANDUM OF UNDERSTANDING made and entered into as of the 1st day of October, 1947, between OREGON PHYSICIANS' SERVICE, an Oregon corporation, hereinafter referred to as O. P. S., and the COOPERATING PHYSICIANS OF CROOK COUNTY, OREGON WHO HOLD COOPERATING AGREEMENTS WITH O. P. S., hereinafter referred to as the Cooperating Physicians, WITNESSETH:

1. This agreement shall apply to the area of Crook County, Oregon, and is entered into by said Cooperating Physicians who heretofore have elected, or hereafter shall elect, to become members and stockholders in O. P. S.

2. It is understood that O. P. S. has entered into, and will continue to enter into, contracts with certain industrial and other organizations, associations and corporations, individuals and families, in the area of Crook County, Oregon for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accommodations and services, dental and other benefits as

contemplated by the corporate powers of O. P. S. and as defined in the contracts which it may enter into.

3. It is further contemplated that said Cooperating Physicians have become, or shall hereafter become, members and stockholders in O. P. S., and shall constitute the staff of physicians for the rendering of services to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations pertaining to the contracts above described, and the relations between O. P. S. and the said Cooperating Physicians constituting its staff in Crook County, Oregon.

4. Any physician who shall be engaged in practice in Crook County and who shall be a member in good standing of the Central Oregon Medical Society and/or the Oregon State Medical Society, shall be eligible to become a stockholder of, and a member of the Crook County staff of O. P. S. Each such member shall purchase two shares of the Class AA Capital Stock of O. P. S. (excepting that any member residing in a community of less than one thousand population shall purchase one share of said stock) and shall execute an individual staff agreement, a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital stock shall be twenty-five dollars ($25.00) per share. No physician shall be admitted to said Crook County staff excepting upon due proof that he is engaged in practice in said county and upon certification that such physician is a member in good standing of the Central Oregon Medical Society and/or the Oregon State Medical Society.

5. Payments by O. P. S. for services rendered by members of the Crook County staff to persons requiring treatment under O. P. S. contracts in said county shall be made primarily according to the fee schedule or schedules which shall be agreed upon from time to time by and between the Crook County Cooperating Physicians and the Board of Directors of O. P. S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contracted parties in Crook County, hospital services, medical and surgical services in emergencies or for patients referred to physicians not participating in this agreement, stipulated medicines and drugs, ambu-

lance services and all other services specified in O. P. S. contracts, have been paid in full. While initial payments made by O. P. S. to Crook County Cooperating Physicians for services rendered to O. P. S. contract subscribers shall be based primarily on the above-mentioned fee schedule or schedules, it is specifically agreed that full payment of services rendered to any Crook County Cooperating Physician shall constitute said Cooperating Physician's full relative share of all funds available during any accounting period for the payment of services rendered by all Crook County Cooperating Physicians during that period, regardless of whether such payments may be made in one or more installments. Such above-mentioned fee schedule or schedules shall be used as a basis for calculating fee payments but full payment of Crook County Cooperating Physicians for any accounting period may be made at a level higher or lower than such schedule or schedules in accordance with the operating experience encountered for such period.

6. The management of O. P. S., under the direction of the Board of Directors of O. P. S., is to handle and have charge of all administration and acquisition work required in connection with contracts located in the Crook County area specified herein, and all moneys representing dues on contracts covering the business transacted in Crook County shall be collected by and paid to O. P. S. at a place selected by it. The average state-wide O. P. S. operating charge will be made by O. P. S. against all contract collections in the Crook County area, to cover the cost of professional liability insurance, licenses, reserve funds and indemnity bonds as required by the laws of Oregon, or deemed advisable by the Board of Directors of O. P. S., in maintaining the corporate structure; and to cover the actual cost of acquisition and administration of the contracts incident to the business transacted in the Crook County area.

4977

7. It is understood that all moneys received by O. P. S. under its contracts incident to business transacted in the Crook County area, except the administrative charge above provided for, shall be used to furnish services to the persons covered under O. P. S. contracts in the Crook County area, and that all bills for stipulated medicines, hospital accommodations, and services of dentists, physicians and surgeons are to be paid from the balance of

moneys collected from Crook County contracts, in the manner above specified, after the deduction of the above described administrative charge.

8. It is further agreed that the accounts of O. P. S. relative to its business in the Crook County area shall be kept separate and distinct from all of its other business and that no part of the income from the Crook County area shall be applied to the payment of any expenses of administration and acquisition relative to any other business done by O. P. S., or be diverted to the payment of bills for services to subscribers under O. P. S. contracts in other areas not involved in this agreement. O. P. S. shall not be required to pay any expenses, bills or charges of any nature arising from its Crook County operations, except from moneys received from the operations of O. P. S. in the Crook County area.

9. This MEMORANDUM OF UNDERSTANDING shall be in full force and effect for the period of one year beginning with the date first hereinabove written, but may be continued thereafter from year to year by agreement of the parties hereto. It may be terminated by either party hereto, effective at any future date, by the giving of written notice of such termination by one party to the other party at least ninety (90) days prior to such termination date. In the event of such termination, the physicians participating hereunder nevertheless agree to render services under the contracts of O. P. S. in the Crook County area in accordance with this memorandum until such time as all contractual obligations of O. P. S. in the Crook County area have expired.

4978 IN WITNESS WHEREOF Oregon Physicians' Service has caused this MEMORANDUM OF UNDERSTANDING to be duly executed by its President and Secretary as of the day and year first hereinabove written.

OREGON PHYSICIANS' SERVICE
By (Signed) D. R. Ross
President

By (Signed) J. P. BRENNAN
Acting Secretary

The undersigned Cooperating Physicians of Crook County, Oregon have indicated their approval of this

MEMORANDUM OF UNDERSTANDING as of the 1st day of October, 1947.

COOPERATING PHYSICIANS OF CROOK COUNTY

(Signed) R. A. SHERWIN
(Signed) GALON L. EGBERT
(Signed) RAYMOND ADKINSON
(Signed) ELON LEE WOOD

Plaintiff's Exhibit 463

4979

AGREEMENT

This MEMORANDUM OF UNDERSTANDING made and entered into as of the 24th day of August, 1942, between OREGON PHYSICIANS' SERVICE, an Oregon corporation, hereinafter referred to as O. P. S., and the COOPERATING PHYSICIANS OF JACKSON COUNTY, OREGON WHO HOLD COOPERATING AGREEMENTS WITH O. P. S., hereinafter referred to as the Cooperating Physicians, WITNESSETH:

1. This agreement shall apply to the area of Jackson County, Oregon, and is entered into by said Cooperating Physicians who heretofore have elected, or hereafter shall elect, to become members and stockholders in O. P. S.

2. It is understood that O. P. S. has entered into, and will continue to enter into, contracts with certain industrial and other organizations, associations and corporations, individuals and families, in the area of Jackson County, Oregon for the furnishing to the persons covered under such contracts, of medical and surgical services, hospital accommodations and services, dental and other benefits as contemplated by the corporate powers of O. P. S. and as defined in the contracts which it may enter into.

3. It is further contemplated that said Cooperating Physicians have become, or shall hereafter become, members and stockholders in O. P. S., and shall constitute the staff of physicians for the rendering of services to the persons covered by the contracts above described. This understanding is intended to set forth the restrictions and regulations pertaining to the contracts above described, and the relations between O. P. S. and the said Cooperating Physicians constituting its staff in Jackson County, Oregon.

4. Any physician who shall be engaged in practice in Jackson County and who shall be a member in good standing of the Jackson County Medical Society and/or the Oregon State Medical Society, shall be eligible to become a stockholder of, and a member of the Jackson County staff of O. P. S. Each member shall purchase two shares of the Class AA Capital Stock of O. P. S. (excepting that any member residing in a community of less than one thousand population shall purchase one share of said stock) and shall execute an individual staff agreement, a copy of which is attached hereto and by this reference made a part hereof. The price to be paid for the said capital
4980 stock shall be twenty-five dollars ($25.00) per share.

No physician shall be admitted to said Jackson County staff excepting upon due proof that he is engaged in practice in said county and upon certification that such physician is a member in good standing of the Jackson County Medical Society and/or the Oregon State Medical Society.

5. Payments by O. P. S. for services rendered by members of the Jackson County staff to persons requiring treatment under O. P. S. contracts in said county shall be made primarily according to the fee schedule or schedules which shall be agreed upon from time to time by and between the Jackson County Cooperating Physicians and the Board of Directors of O. P. S. Such payments for services shall be made only after charges for corporate, sales and administrative expenses, as hereinafter specified, first aid stations and nurses as may be required in the rendering of services to contracted parties in Jackson County, hospital services, medical and surgical services in emergencies or for patients referred to physicians not participating in this agreement, stipulated medicines and drugs, ambulance services and all other services specified in O. P. S. contracts, have been paid in full. While initial payments made by O. P. S. to Jackson County Cooperating Physicians for services rendered to O. P. S. contract subscribers shall be based primarily on the above-mentioned fee schedule or schedules, it is specifically agreed that full payment of services rendered to any Jackson County Cooperating Physician shall constitute said Cooperating Physician's full relative share of all funds available during any accounting period for the payment of services rendered by all Jackson County Cooperating Physicians during that period, regardless of whether such payments may be made